



Marketing Essentials

About this Topic: Marketing Essentials



Topic Mentors

Philip Kotler

Philip Kotler is a world renowned expert on strategic marketing. As a Distinguished Professor of International Marketing at Northwestern University's Kellogg Graduate School of Management, Philip's research spans a broad number of areas including consumer marketing, business marketing, services marketing, and e-marketing. He is the author of numerous publications including the best-selling book *Marketing Management* (Prentice Hall, 2000), *A Framework for Marketing Management* (Prentice Hall, 2001), *Principles of Marketing* (Prentice Hall, 2001), and *Marketing Moves* (Harvard Business School Press, 2002). In addition to teaching, he has been a consultant to IBM, Bank of America, Merck, General Electric, Honeywell, and many other companies.

Bruce Wrenn

Bruce Wrenn, Ph.D., is an educator and consultant with more than 25 years experience in marketing planning and research. He is currently a professor of marketing at Indiana University South Bend and has authored five books on marketing. Bruce has consulted with a variety of companies in the high-tech, food, pharmaceutical, health care, and automotive industries, as well as helped scores of not-for-profit organizations develop marketing programs.

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What Would You Do?

What would you do?

Janet scheduled a meeting with Dan, the head of accounting, to talk about her latest market research. Her studies indicated that customers found their monthly billing statement confusing. Dan didn't see what the problem was—customers were paying their bills and his department was keeping track of the money. What more did accounting have to do? Janet asked if Dan's group could develop clearer statements that would make customers' own accounting easier. She said that these sorts of issues were all part of marketing and maintaining the company's mission of delivering products to customers that were easy to use and affordable. Dan was baffled. Weren't the marketing and product development folks in charge of that stuff? What did he and his group have to worry about marketing issues?

What would you do?

What Dan needs to realize is that everyone in a company, from product developers to accounting staff, needs to understand the basics of marketing so that they can contribute to the effort of bringing value to customers. Dan should review Janet's research and understand exactly what customers find confusing about their statements. He should identify what customers want in a statement and explore ways to redesign the form to better meet customers' needs. By taking this customer-centric approach, Dan would be upholding his company's mission of clearly communicating with customers and creating high-quality products. In turn, he would be adopting what's referred to as a "marketing orientation."

In this topic, you'll learn the fundamentals of marketing so that you can recognize marketing opportunities, work with people in marketing to develop plans, and understand the big picture.

Dan is the head of accounting for a large company. What does he have to do with marketing?

Topic Objectives

This topic helps you:

- Grasp the basic elements of a marketing strategy and plan
- Create a marketing orientation in your group or firm
- Understand and navigate the steps in the marketing process
- Plan effective marketing programs, advertising campaigns, and sales promotions

What is marketing?



What's the first thing you think of when you hear the word *marketing*? Do you imagine salespeople talking up their company's products with potential customers? Flashy billboard ads lining a highway? Finance managers calculating the possible profits that a new product may bring in?

If you envisioned any or all of these things, you're on the right track—selling, advertising, and profitability calculations are all important parts of marketing. But marketing consists of so much more. The following is a comprehensive definition:

Marketing is the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individuals' and companies' goals.

The organization's mission


“Marketing isn't somebody's responsibility—[it's] everyone's responsibility.”
–Jack Welch

Marketing starts with the organization's mission:

- How does it define itself?
- What are its goals?
- Who are its customers?
- How does it intend to fulfill its mission?

An organization's mission is the process of fulfilling its goals through the exchange of goods, services, and ideas, and these activities define the process of marketing.

What is a marketing orientation?

 All hands should be on deck when it comes to marketing the company's product.

A marketing orientation occurs when *everyone* in the organization is constantly aware of:

- Who the company's customers are
- What the company's customers want or need
- How the firm can satisfy those customer needs better than its rivals
- How the firm can satisfy customer needs in a way that generates the kind of profits that the company wants to achieve

Top-level plan

Marketing orientation begins at the top level of planning. A marketing orientation is a customer focus embodied in the following aspects:

- **Mission.** The company's very reason for existence.

For example, "Company ABC's mission is to provide low-pollution cars at a price that customers consider affordable and that lets its employees and shareholders achieve their personal objectives."

- **Strategy.** The concrete actions the company must take to achieve its mission.

For instance, "Company ABC must master the latest vehicle-emissions technology."

Company-wide effort

Effective marketing is a company-wide enterprise that hinges on a philosophy shared by everyone within the organization. And a marketing orientation is vital because it helps your company achieve its mission. Knowledge of basic marketing principles can benefit anyone who's involved in the exchange of ideas, products, or services, whether you're:

- A product manager or marketing professional in a large corporation

- A production manager who directs the creation of the product
- Someone who's starting up a new business
- An employee of a not-for-profit or educational institution
- Part of a small, growing company

Whatever your work situation, familiarity with marketing basics can help you contribute to your company's success.

The process starts with understanding customers.

Key Idea: Customer drivers

Key Idea

Marketing is a way of understanding and satisfying the customer. Once you understand your customer's (or target market's) basic drives, you can set about satisfying their:

Needs. These are fundamental requirements, such as food, air, water, clothing, and shelter. Beyond the purely physical level, people also need recreation, education, entertainment, and a place within a community or social status.

Wants. These are needs that are directed at specific objects that might satisfy those needs. For instance, you might *need* food, but for a special occasion you may want to have a meal at a restaurant rather than preparing your food at home.

Demands. These arise when people both want a specific product *and* are willing and able to pay for it.

These needs are essential for life or quality of life, and marketing per se cannot affect the needs themselves. But marketing can influence how those needs are fulfilled.

Everyone has a few basic needs that are fundamental requirements for living. How can understanding these needs help you sell a product or service?

Customer needs

“Marketing is the whole business seen from the customer's point of view.”
–Peter Drucker

Marketing focuses primarily on customer needs, since customer needs are the underlying force for making purchasing decisions. These needs can be categorized as follows:

- **Stated needs:** what customers *say* they want; for example, "I need a sealant for my window panes for the winter."
- **Real needs:** what customers *actually* require; for example, a house that is better insulated and therefore warmer during the winter.
- **Unstated needs:** requirements that customers don't happen to mention; for example, an easy solution to insulating the house.
- **Delight needs:** the desire for luxuries, as compared to real needs.

- **Secret needs:** needs that customers feel reluctant to admit; for example, some people may have a strong need for social status but feel uncomfortable about admitting that status is important to them.

Having a marketing orientation helps you determine what type of need is driving a customer's demand.

For instance, if a salesperson in a hardware store responds only to a customer's *stated* need ("I need a sealant for my window panes") and does not attempt to discover the customer's *real* need ("My house needs to be better insulated for the winter"), the salesperson might miss a great opportunity to tell the customer about her store's high-tech insulation services and begin to develop a customer relationship.

Once an organization begins to successfully meet customer needs and even exceed their expectations, customer satisfaction rises. Loyalty follows, bringing with it a significant and measurable impact on the bottom line.


Match offerings to needs

Customers' needs can be fulfilled in various ways—successful companies adapt their offerings to match their customers' needs. Companies can offer the following:

- **Goods:** physical offerings such as food, commodities, clothing, housing, appliances, and so forth
- **Services:** such as airline travel, hotels, maintenance and repair, and professionals (accountants, lawyers, engineers, doctors, and so on)
- **Experiences:** for example, a visit to a theme park or dinner at the most popular restaurant
- **Events:** for instance, the Olympics, trade shows, sports, and artistic performances
- **Persons:** such as artists, musicians, rock bands, celebrity CEOs, and other high-profile individuals
- **Places:** cities, states, regions, and nations that attract tourists, businesses, and new residents
- **Properties:** including real estate and financial property in the form of stocks and bonds
- **Organizations:** entire companies (including not-for-profit institutions) that have strong, favorable images in the mind of the public
- **Information:** produced, packaged, and distributed by schools, publishers, Web-site creators, and other marketers
- **Ideas:** concepts such as "Donate blood" or "Buy savings bonds" that reflect a deeply held value or social need

Any organization that engages in developing and offering one or more of these "products" to customers is engaged in marketing.

Five approaches to marketing

 Your company's approach to marketing may emphasize targeting audiences around the globe or saving money on the assembly line.

Your company can achieve its mission by satisfying those customers' needs, wants, and demands through the products it offers. But how exactly does your organization accomplish this task? By developing the marketing orientation from top to bottom.

Different companies may emphasize different conceptual approaches to marketing.

Conceptual Approaches to Marketing

Marketing Orientation	The Belief Behind It	Company Focus
Production	Consumers prefer products that are widely available and inexpensive.	High production efficiency, low costs, and mass distribution of products
Product	Consumers favor products that offer the most quality, performance, or innovative features.	The design and constant improvement of superior products, with little input from customers
Selling	A company has to sell its products aggressively, because consumers won't buy enough of them on their own.	Using a battery of selling and promotional tools to coax consumers into buying, especially unsought goods (such as insurance or funeral plots)
Marketing	The key to achieving a company's goals is its ability to be more effective than its rivals in creating, delivering, and	Target markets, customer needs, coordination of all company functions

	communicating value to its target customers.	from the target customer's point of view
Societal marketing	A company's task is to determine its target customers' needs, wants, and interests—and to satisfy them better than their rivals do, but in ways that preserve or enhance customers' and society's well-being.	Building social and ethical considerations into marketing practices; balancing profits, consumer satisfaction, and public interest

All five of these marketing orientations have merit. Indeed, each one shown in the above table builds on the one preceding it—but emphasizes something different.

For example, if your company emphasizes societal marketing, that doesn't mean it ignores the importance of efficient production, high-quality products, selling, or obtaining knowledge of customers. It means that it adds a new dimension—social and ethical concerns—to its marketing approach.

Some companies may even change from one orientation to another in order to stay competitive.

For example, many companies—including popular health-and-beauty-product manufacturers and ice cream makers—have achieved impressive profits by emphasizing societal marketing. That's because more and more consumers are demanding products that are kind to human communities and the environment. As a result, other firms have followed suit and adopted a societal marketing orientation.

Leadership Insight: Exemplary service

A lot of people have flown on Singapore Airlines, and even people who haven't flown on Singapore Airlines know that particular airline to be the gold standard in customer service.

And so it's important for us to understand what they've managed to do really, really well. There are two ways that you can compete in the airline industry. One is on price and the other is on service. Most airlines compete on price, and they tell passengers that they can get the best deal by flying on that particular airline.

They lock in people through their frequent-flyer programs, and frequent flyers are used to getting the best deal on their particular airlines. That's part of the contract.

Singapore Airlines does things differently. They seldom discount, so they're not in the price game. And the services they offer are way above what everybody else offers. For them, for Singapore Airlines, competing on service is a way of differentiating away from being commoditized.

Let me explain that with an example. Singapore Airlines makes a distinction between software and hardware. Hardware is the airplane, hardware is the electronic equipment that they use, the audio/visual equipment. Hardware includes the reclining seats that they have in first class and in business class, all of those sorts of things.

Software is the functional skill that flight attendants have in delivering the perfect cup of coffee at 30,000 feet. Making contact with passengers, making them feel relaxed — those are all soft skills.

Now when you think about what's easy to compete on, it's hardware. If you're building an airline, a competitive airline, you buy the newest planes, you get the newest multimedia equipment, the newest audio/visual equipment, you get the best seats.

But competing on the soft skills is very, very difficult. And this is what Singapore Airlines has managed to do over decades, is compete on the software, or the soft skills.

In an industry that typically competes on price, Singapore Airlines distinguishes itself through services.

Rohit Deshpandé **Professor, Harvard Business School**

Rohit Deshpandé is Sebastian S. Kresge Professor of Marketing at Harvard Business School. He currently teaches in the Owner/President Management Program and has previously taught global branding, international marketing, and first-year marketing in the MBA program.

In addition to teaching marketing, Rohit was a part of the design and delivery team that created the Leadership and Corporate Accountability MBA required course at Harvard Business School, which focuses on ethics and corporate governance.

His primary research interest is the creation and implementation of customer-centric corporate culture. Rohit is a published author of several technical articles, cases, and monographs. His most recent books include "Developing a Market Orientation," "Using Market Knowledge," and "The Global Market: Managing the Challenges and Opportunities of Globalization."

Before coming to Harvard, he was the E. B. Osborn Professor of Marketing at the Amos Tuck School of Business Administration at Dartmouth College.

He received his Ph.D. from the University of Pittsburgh, and his Master of Business Administration from Northwestern University. He also

earned his Master of Management Studies and Bachelor of Science from the University of Bombay.

Manage demand

It is important to recognize customer demand—transferring needs and wants into purchasing decisions—and then to try to *manage* it. However, because customer demand is exhibited in many ways, you need to recognize the forms of demand and adapt marketing strategies to them.

Demand itself comes in a variety of forms, *and* it is rarely stable. The following are some of the shifting shapes of customer demand:

- **Latent demand:** when customers have a strong need that can't be satisfied by existing offerings
- **Increasing demand:** when customers become aware of a product, begin to like it, and start asking for it
- **Irregular demand:** when demand varies by season, day, or hour
- **Full demand:** when customers want everything a company has to offer
- **Overfull demand:** when customers' demands exceed the company's ability to satisfy those demands
- **Declining demand:** when demand diminishes
- **Unwholesome demand:** when customers want unhealthy or dangerous products
- **Negative demand:** when customers avoid a product
- **No demand:** when customers have no awareness of, or interest in a product

To meet its objectives, your company may have to influence the level, timing, and mix of these various kinds of demand.

For example, if demand for a product is seasonal, such as tomato seedlings in the spring, then a garden center would plan accordingly to stock the seedlings at the right time of year. If demand exceeds supply—you didn't stock enough seedlings—your company would have to consider whether the demand will continue to rise during the next season, making it worth the cost of adding inventory, or if the excessive demand was just a one-time event and unlikely to occur again.

Key Idea: Plan the process

Key Idea

Within an organization, the marketing process begins at the strategic planning level and then moves to the planning and implementation stages in each area of the company.

The first step is to analyze market opportunities.

Identify target customers, understand their needs, and know your competition.

Next, develop a marketing strategy.

Brainstorm new product ideas; define their competitive edge (that is, the main reasons customers should buy your products instead of your competitors'), and test-market your ideas.

After this, create a marketing plan.

Decide how you'll position, price, and promote a product; which distribution channels you'll use, and so forth.

Then, put your marketing strategy into action.

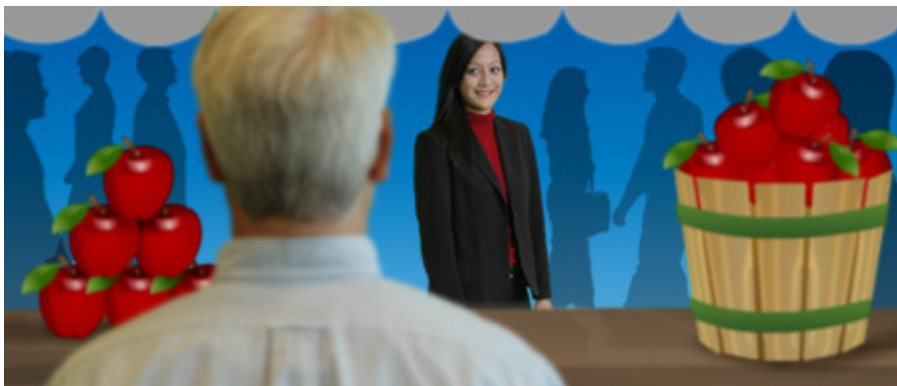
Prepare for surprises and disappointments and incorporate feedback and controls into the implementation process.

Finally, evaluate the effectiveness of your marketing strategy and adjust it accordingly.

Whatever your position is in your organization, your awareness of the marketing process and participation in it will help your company achieve its marketing and strategic objectives.

A well developed plan is the first step towards successful marketing. How can you and your company begin planning the marketing process?

Two key questions



The marketing process begins by identifying the market opportunities that will best help your company achieve its mission, given the products and services that the company has to offer. To determine these opportunities, you must answer two questions:

- *Who* are your target customers?
- *Why* should they buy your product and not your competitors'?

Target your market

Your firm probably has many different potential customers who may be interested in your company's offerings. But, they likely fall into one of two main categories:

- Individual consumers
- Businesses or organizations

Whether your firm sells mainly to individual consumers or businesses depends on its mission.

For example, if your company makes electronic gadgets for the home, you probably sell primarily to individual consumers; however, if your firm makes high-speed photocopy machines

or offers management-consulting or corporate financial services, you probably sell to businesses or organizations.

On the other hand, your company's primary market may shift over time if such a change would have strategic value.

For instance, an automobile manufacturer that sells mainly to individuals might see some advantages in developing and marketing certain kinds of vehicles—such as limousines—for business customers.

Forces that affect consumer buying

Understanding consumer behavior helps you identify the most appropriate offering to fulfill consumer demands.

People decide to buy products for many different reasons. The table below shows just a few examples of the forces—cultural, social, personal, and psychological—that most influence individuals' purchasing decisions.

Forces Affecting Consumer Buying

Cultural Forces	National values, such as an emphasis on material comfort, youthfulness, or patriotism	Ethnic or religious messages or priorities	Identification with a particular socioeconomic class
Social Forces	Friends, neighbors, coworkers, and other groups with whom people interact frequently and informally	Family members, friends: parents, spouses, partners, children, siblings	Individuals' own status within their families, clubs, or other organizations
Personal Forces	Age: including stage in the life cycle; for	Occupation, economic circumstances, and lifestyle (or	Personality and self-image: including how

	example, adolescence or retirement	activities, interests, and opinions)	people view themselves and how they think others view them
Psychological Forces	Motives: conscious and subconscious needs that are pressing enough to drive a person to take action; for example, the need for safety or self-esteem	Perceptions (interpretations of a situation), beliefs, and attitudes (a person's enduring evaluation of a thing or idea)	Learning: changes in someone's behavior because of experience or study

Activity: Consumer buying forces

There are several types of forces that influence consumers' buying decisions. In each of the following scenarios, identify the force at work.

There are several types of forces that influence consumers' buying decisions. In each of the following scenarios, identify the force at work.

Jesse's fellow employees have each purchased Crazycuff cufflinks. At the water cooler, Jesse sees the links on his manager's sleeves. Everyone he speaks to at work likes the Crazycuff brand, so he decides to buy a pair for himself.

What force is affecting Jesse's purchasing decision?

☐ Cultural

Not the best choice. Consumer buying related to national values, ethnic, or religious matters involves cultural choices.

☐ Social

Correct choice. When someone purchases something due to influences from friends, family, or coworkers, social forces are in effect.

☐ Personal

Not the best choice. Purchases related to activities, interests, and opinions fall under personal forces.

☐ Psychological

Not the best choice. Making a purchase due to concerns regarding self-esteem or safety involves psychological forces.

Alicia reads in the newspaper about some recent vandalism that took place near her neighborhood. She decides that she will feel better protected if she purchases a home security system for herself.

What force is affecting her purchase decision?

☐ Cultural

Not the best choice. Consumer buying related to national values, ethnic, or religious matters involves cultural choices.

☐ Social

Not the best choice. When someone purchases something due to influences from friends, family, or coworkers, social forces are in effect.

☐ Personal

Not the best choice. Purchases related to activities, interests, and opinions fall under personal forces.

☐ Psychological

Correct choice. Making a purchase due to concerns regarding self-esteem or safety involves psychological forces.

Ralph loves to fix up old cars. He buys an old convertible so that he can restore it to original condition.

What force is affecting his purchase decision?

☐ Cultural

Not the best choice. Consumer buying related to national values, ethnic, or religious matters involves cultural choices.

☐ Social

Not the best choice. Social forces are in effect when someone purchases something due to influences from friends, family, or coworkers.

☐ Personal

Correct choice. Fixing up old cars is an activity, and activities, interests, and opinions fall under personal forces.

☐ Psychological

Not the best choice. Making a purchase due to concerns regarding self-esteem or safety involves psychological forces.

Every summer, Jody's town holds a party to celebrate its founding. Tradition has it that everyone attending needs to wear cowboy hats. Jody purchases cowboy hats for her entire family.

What force is affecting Jody's purchase decision?

☐ Cultural

Correct choice. Consumer buying related to national values, ethnic, or religious matters involves cultural choices.

☐ Social

Not the best choice. Social forces are in effect when someone purchases something due to influences from friends, family, or coworkers.

☐ Personal

Not the best choice. Purchases related to activities, interests, and opinions fall under personal forces.

☐ Psychological

Not the best choice. Making a purchase due to concerns regarding self-esteem or safety involves psychological forces.

Consumers' buying process

Consumers use a fairly *predictable* series of steps when they decide whether to buy something. You've probably followed the steps shown below many times yourself:

1. Recognize a need—for example, your computer has become outdated, and you need a new one.
2. Search for more information: such as surfing the Internet for details on the various features offered by computer companies.
3. Weigh the alternatives: "That computer seems to have more memory than this other one."
4. Decide to buy: including determining that the price is right, concluding that you've done enough "shopping around," and buying the product.
5. Evaluate and act on the purchase—you may feel satisfied, disappointed, or even delighted with your purchase; you may return the product or decide to buy it again; you may use and dispose of the product in ways that are important for marketers to know.

It is also important to think about what your customers (and target market) value. Think about your own experience as a customer—how do you determine what is most important to you? Did you get the results you expected? Were the results delivered the way you wanted them? Was the price what you were hoping for?

Research your consumers

How do you gather and use information about your target market? By researching and evaluating. Here are a few ways to proceed:

- Review your company's internal sales and order information—which reveal existing customers' buying patterns and characteristics.
- Gather marketing intelligence—which you collect through reading newspapers, and trade publications; talking with customers, suppliers, and distributors; checking Internet sources; and meeting with company managers.
- Perform market research—which is conducted either by an internal research department or an outside firm through devices such as market surveys, product-preference tests, focus groups, and so forth.
- Use secondary data sources—such as government publications, business information, and commercial data.

By studying the forces that influence consumers' decisions—as well as the process that consumers go through in deciding whether to buy—you can figure out how best to reach and serve these customers.

Leadership Insight: Be authentic

In 2000, the Timberland company was in a great spot. We had enjoyed record sales for the past four to five years, and what we found was that a lot of that was driven on a business that we didn't really expect. It was the fact that we were adopted, essentially, by the urban hip-hop culture, that marketplace.

They had looked for brands that were authentic, that were truly American, and they got behind it in a big, big way. This was before I got there; things were going very, very well until it hit a bit of a snag. What happened was Timberland started to believe their own hype a bit, and rather than being an authentic outdoor brand that was co-opted by a marketplace, they thought they were part of that marketplace.

To try to generate more revenue, they focused a lot of time and effort on trying to be cooler, trying to be trendy, trying to be maybe a little bit more hip-hop than they really were. The results had the absolute inverse effect, and by the time I got there, the business had really started to plummet.

The key thing that we found when my team came on was that there was a desire on Timberland's behalf to make the brand cooler again, to make us more authentically hip-hop, to make us trendier. And because my team was made up of people who come from the trend side of the business, we realized that that was the very cause of our demise at the time — that our attempts to try to be cooler than we really were, were turning off the very consumers we were seeking to attract.

And we took the opposite approach, so rather than trying to make the brand more trendy, trying to make it a little bit cooler, we pulled back on our initiatives to try to look that consumer directly in the eye. We got back to doing what we do. We made high-quality, very authentic products, kept our price points high where they needed to be, and tried to understand that our relationship with that consumer wasn't based on the fact that we were ever trendy, it was based on the fact that we were authentic.

And the primary lesson being that if you don't understand why it is that a consumer adopts you in the first place, you can really, really get tripped up. We thought it was because we were cool.

We were never that cool. What we were was an authentic brand with years and years of heritage.

When we got back to being truly authentic and really rooted into what it was about our brand that they thought was relevant in the first place, we noticed that the hype came down a little bit but the sales started to come back up. And last quarter for the first time in probably 15 quarters, we announced an increase, even in this economy.

And then a week and a half ago, we were watching TV — and we had by now really eliminated most of our efforts to overtly target this consumer — we were watching the World Series, and the hip-hop act or artist or icon, Jay-Z, was performing. And he was performing in a pair of Timberland boots. So what it showed us was that being authentic and true to who we were, or even more so, understanding why we have that relationship, an authentic relationship with that consumer, is why we were as successful as we were. And by being true to that relationship, we really found that we could have success again.

Understand why the customer adopts your product and be true to that relationship.

Brian Moore

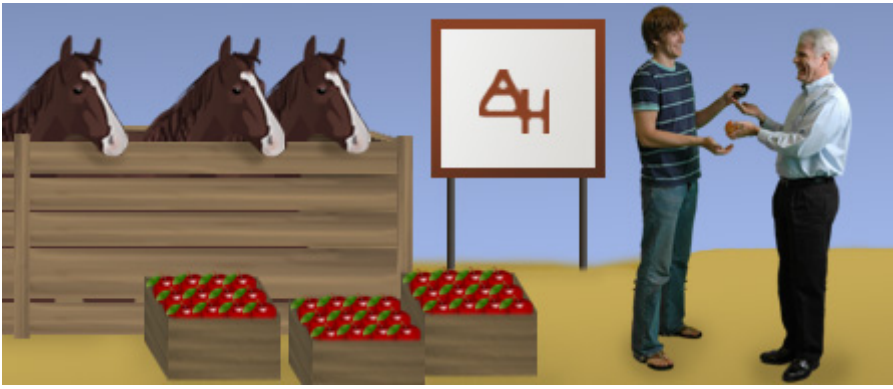
Vice President, Global Footwear, The Timberland Company

As Vice President of Global Footwear at The Timberland Company, Brian Moore is responsible for leading strategic merchandise planning for all men's footwear product globally. He oversees value chain activities from product line planning, to management and design.

Before his time at Timberland, Brian was the Vice President and General Manager of Gravis, a wholly owned subsidiary of Burton Snowboards. At Burton, he oversaw the general management of a global action sports footwear, apparel, and accessory brand. He also sat on Burton's senior leadership team, which made strategic and investment decisions for all Burton brands, including Burton snowboards and Analog, Anon, Gravis, and The Program brands.

Brian began his marketing and management career at New Balance, where he was involved in the launch of the 800 series of shoes, of which the 801 trail shoe was a best-seller.

Types of organizations



When organizations, rather than individual consumers, buy from your company, the whole marketing picture changes.

Why? Organizations differ from individual consumers in important ways. For one thing, they buy goods and services in order to produce their *own* offerings—which they then sell, rent, or supply in some other way to other customers. Thus, they're usually looking for the best possible deal for their company as a whole.

Organizations fall into three main categories—each of which has different characteristics.

Types of Organizations

Category	Examples	Characteristics
For-profit	Major industries such as manufacturing, construction, communications, banking, services, distribution, and so forth	<ul style="list-style-type: none"> • Demand for your company's products may change radically in response to just small changes in your business customer's consumer demand. • You'll be working with a smaller number of more professional buyers. • Buyers tend to be

		concentrated geographically.
Institutions	Schools, hospitals, prisons, nursing homes, and other organizations that provide goods and services to people in their care	<ul style="list-style-type: none"> • Many institutions have low budgets and "captive clientele." • Your firm might have to package its offerings differently—for example, lower prices, less elaborate packaging—to attract and keep institutional business.
Government	Federal, state, and municipal level agencies	<ul style="list-style-type: none"> • Government organizations typically require suppliers to submit bids. • Public agencies often have complex, time-consuming purchasing procedures.

Organizations' buying patterns

Organizations also differ from consumers in their buying patterns.

- **The straight rebuy:** The organization regularly reorders office supplies, bulk chemicals, or other materials. If the company buys from your firm, you'll probably feel pressure to maintain the quality of your product.
- **The modified rebuy:** The organization wants to change purchasing terms, such as product specifications, prices, or delivery requirements. If the company buys from your firm, you may feel

some pressure to protect the account to keep rivals from encroaching on your business.

- **The new task:** The organization buys a product for the first time—which may require a lengthy and complex decision process between your firm and the company.

Influences on purchasing decisions

And finally, organizations are influenced by a different mix of forces than individuals are in their buying decisions. The table below shows a few examples:

Forces that Affect Organizational Buying

Environmental Forces	Interest rates, materials shortages, technological and political developments
Organizational Forces	Purchasing policies and procedures, company structures and systems (for example, long-term contracts)
Interpersonal Forces	Purchasing staff members' differing interests, authority levels, ways of interacting with one another
Individual Forces	An individual buyer's age, income, education, job position, attitudes toward risk
Cultural Forces	Attitudes and practices influencing the way people like to do business; for example, Asians tend to emphasize the collective, not individual, benefits of doing business

Clearly, marketing to businesses requires very different strategies than marketing to individuals.

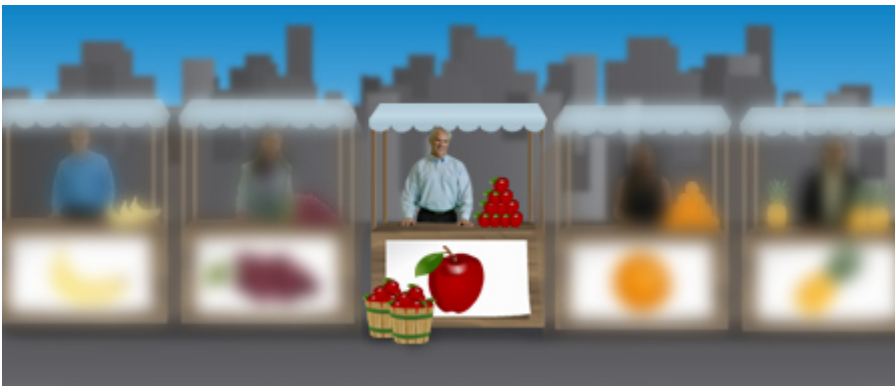
Organizations' buying process

On the other hand, businesses use a *similar* process to that of individual consumers when making purchasing (that is, procurement) decisions:

1. Recognize a need or problem—for example, "The company's computer system is outdated."
2. Determine the needed item's general characteristics and required quantity—"We need links to all the company's offices."
3. Determine the needed item's technical specifications.
4. Search for potential suppliers.
5. Solicit bids or proposals from suppliers.
6. Choose a supplier.
7. Negotiate the final order—including specifying delivery and installation schedule, final quantity, payment terms, and other details.
8. Assess the chosen supplier's performance—and decide whether to maintain the business relationship.

By understanding how the procurement process works, you can design a more effective strategy for reaching and serving business customers.

Sustain a competitive advantage



Your organization will not be the only one looking at the marketing opportunities—competitors will be in the picture as well.

Consumers and businesses typically have choices when making buying decisions. Your company wants your offering to be chosen over your competitors' offerings—not always an easy task because competition is becoming more intense every year.

How can you make sure that customers keep buying from your firm and not your competitors? Your company has to make it clear to customers what the benefits of your products are. That is, you must find, and sustain a competitive advantage that has meaning for your *customers*.

Identify competitors

A competitive analysis can be performed at several levels of an organization. If you are responsible for only one product of many, you still need to perform this analysis.

The first part of any competitive analysis involves determining who your competition is. Beware: competitive threats can come from many different directions:

- Other players offering similar products to yours

- Entirely new players in your industry
- Companies that make substitutes for your products
- Customers' power to comparison shop, set competitors against one another, and easily switch suppliers
- Your own suppliers' power to raise their prices or reduce the quantity of their offerings

Most companies have both existing and *potential* competitors. But companies are more likely to be hurt by their potential and emerging competitors than by existing rivals.

Existing rivals are openly and visibly competing in the same arena. Emerging rivals haven't yet declared themselves as players in your industry.

So how do you identify your firm's main potential and existing competitors? Here's an easy rule: Competitors are companies that satisfy—or that intend to satisfy—the same customer needs that your firm satisfies.

For example, a customer buys word-processing software that your company makes. Her *real* need isn't for the software—it's for the ability to write. That need can be satisfied by pencils, pens, typewriters, and any other writing tool that an innovative and wily company can dream up. Thus your company actually has more competitors than you might think.

Not only does your company have more competitors than you might expect, it may also have numerous *kinds* of competitors.

For example, if your company makes photocopy machines, it satisfies customers' need to duplicate documents. But a firm that offers document-duplicating *services*, not a document-duplicating *product*, can satisfy that need just as well. Thus that service company will be just as much your competitor as another company that also makes photocopy machines.

Activity: Who's your competition?

Knowing the competition is vital to your marketing strategy. See if you can spot the competition in this group.

In Squareville, the main residential area is separated from the commercial district by Kokochogee River, which is very wide. Therefore, many people have to cross the river to get to work. Your company operates a ferry boat that transports people and cars across the river. It is also used by tourists as a cheap way to see the river.

Which of these are not competitors to your ferry business?

☐ Canoe rental business

Not the best choice. Canoe rentals may compete for a small fraction of your business made up by tourists.

☐ Charter fishing boat

Correct choice. Fishing boats are primarily in the fishing business, not the transportation business.

☐ Commuter airplane

Not the best choice. An airplane can cross large bodies of water and can carry large numbers of people. It might compete with your ferries.

☐ Toll bridge

Not the best choice. A bridge is a means of transport for people and cars, and could be a strong competitor with your ferries.

Key Idea: Compare competitors' characteristics

Key Idea

Once you've identified your potential and existing competitors, analyze their following characteristics:

- **Strategies:** For example, does a particular competitor offer a narrow line of high-priced products with high-level, customized service?
- **Objectives:** What is the competitor seeking in the marketplace? (To maximize profits? Market share? Be a technological leader in the industry?)
- **Strengths and weaknesses:**
 - What "share of market" does the competitor possess? That is, how much of your target market does the company sell to?
 - What "share of mind" does it possess; that is, what percentage of customers name that competitor as the first one to come to mind?
 - What "share of heart" does the company possess; that is, what percentage of customers say they'd prefer to buy from that firm before any other?

Note: Rivals that claim significant shares of mind and heart will most likely gain market share and profitability.

- **Ways of doing business:** Most competitors fall into one of these categories in terms of how they respond to changes in the marketplace.
 - **Slow-moving:** The rival company doesn't react quickly or strongly to other players' moves, perhaps because they feel confident that their customers are loyal, or they just haven't noticed that the game has changed, or they simply lack the resources to make a move.
 - **Selective:** The company responds to certain kinds of attacks—such as price cuts or advertising campaigns.
 - **A "tiger":** The firm reacts swiftly and strongly to any assault.
 - **Unpredictable:** The firm shows no predictable reactions to marketplace changes.

By understanding *all* these characteristics of your competitors, you can design marketing strategies that will increase your chances of coming out on top.

Your competitors are not always alike. But understanding how each one stands out—and how each one approaches marketing—can help you come out on top.

Source: Philip Kotler, *A Framework for Marketing Management* (Upper Saddle River, NJ: Prentice Hall, 2001).

What is a marketing strategy?

When you've selected your most promising new (or freshly adapted) offering the next step is to create a **marketing strategy**. But remember: the marketing strategy will be an essential part of the organization's overall strategy.

At its heart, a marketing strategy answers the question: Why should your customers buy *your* product (or service) and not your competitors'? The strategy will later form the heart of your marketing plan for that offering. Strategy happens on several different levels within an organization. In big companies, people create strategy at:

- The corporate level
- The SBU (strategic business unit) level
- The product level

In many smaller companies, strategy creation may take place on all three levels simultaneously. In fact, a product manager developing a market strategy at a small firm might not only ask, "How should we market this product?" but also "Should we be offering this product at all?"

Key Idea: Create a marketing strategy

Key Idea

In creating a marketing strategy for a product, your main goals are:

1. **To answer the question:** "What's your product's competitive advantage?" Or, from the customers' perspective, "What need would this product or service fulfill more effectively than any other similar offering?"
2. **To shape your marketing strategy** to ensure that the product does fulfill the customer's expectations, needs, and desires.

To achieve these goals, you'll need to know your target market's size and typical behavior (its demographic characteristics) as well as the primary benefit of the proposed product *in the consumers' minds*. In addition, you will need to:

- Estimate the sales, market share, and profits that the product could generate in its first few years on the market
- Establish the planned price, distribution strategy (how you'll get the product to customers), and marketing budget for the first year
- Project the product's long-run sales and profits

What gives your product an edge in the marketplace? How can you make sure that your customers' needs are met? Asking these questions is an important part of forming a marketing strategy.

Product, price, place, promotion

One familiar way to think about marketing a product is through the four Ps of marketing.

The familiar mantra of marketing is the "**marketing mix**"—a strategic mix of the four Ps—product, price, place, and promotion.

- Product decisions include quality, design, features, brand name, and so on.
- Price decisions include price point, list price, discounts, payment period, and so on.
- Place decisions include channels of distribution, geographic coverage, and so on.
- Promotion decisions include advertising, direct marketing, public relations, and so on.

Your decision on a marketing mix needs to be coherent so that, for example, a commodity product won't suffer from a high list price.

Product differentiation

Another approach is to consider how you might differentiate and position your promising product and how you might create a brand for it.

Differentiation is the act of distinguishing your company's offering from competitors' offerings in ways that are meaningful to consumers. You can differentiate products *physically* or through the *services* your company provides in support of the product.

Products' *physical* distinctions include:

- **Form:** size, shape, physical structure; for example, aspirin coating and dosage
- **Features:** such as a word processing software's new text-editing tool
- **Performance quality:** the level at which the product's primary characteristics function
- **Conformance quality:** the degree to which all the units of the product perform equally
- **Durability:** the product's expected operating life under natural or stressful conditions
- **Reliability:** the probability that the product won't malfunction or fail
- **Reparability:** the ease with which the product can be fixed if it malfunctions
- **Style:** the product's look and feel
- **Design:** the way all the above qualities work together (it's easy to use, looks nice, and lasts a long time)

Products' *service* distinctions include:

- **Ordering ease:** how easy it is for customers to buy the product
- **Delivery:** how quickly and accurately the product is delivered
- **Installation:** how well the work is done to make the product useable in its intended location
- **Customer training:** whether your company offers to train customers in using the product
- **Customer consulting:** whether your company offers advising or research services to buyers of the product
- **Maintenance and repair:** how well your company helps customers keep the product in good working order

Positioning and branding

The term **positioning** means determining and communicating the *central* benefit of the product in the minds of target buyers.

For example, a car manufacturer might target buyers for whom safety is a major concern. The company "positions" its cars as the safest vehicles that customers can buy.

A product **brand** is a name, term, sign, symbol, or design—or any combination of these—that identifies the offering and differentiates it from those of competitors.

A well-executed brand creates a strong **brand image**—the consumer perception of what the product or company stands for.

In customers' minds, brands can have meanings that take many different forms. For example, brands can evoke:

- **Attributes:** "This car is durable."
- **Benefits:** "With such a durable car, I won't have to buy another car for years."
- **Values:** "This company certainly emphasizes high performance."
- **Culture:** "I like these cars because they reflect an organized, efficient, high-quality culture."
- **Personality:** "This car really shows off my stylish side."
- **User:** "That looks like the kind of car that a senior executive would buy."

All companies strive to build a clear, favorable brand image for themselves and their products.

Leadership Insight: Transforming your brand

Back in 1992 I was very fortunate to get my first job at New Balance. I was a competitive runner in college and essentially was trying to find a job where I could really just keep on running, and was able to get into a company that made running shoes for runners like me. Or so I thought.

It turned out that New Balance was really what we would call back in the day, a "doctor and lawyer" shoe company. We made very conservative running shoes for much older men. And one of the first projects that I was given was a collection called the 800 series, which was meant to be a competitive product for younger people.

What I learned in that experience — and I'd love to look back on it and say it was strategy on purpose when it may have been more strategy on accident — is that we had a compelling product in a great category, but what we really drilled into and found success in was really getting specific in terms of what consumer we were focusing on.

What made it easy at that time was that the consumer was us — was me and my friends. At that time, if you think back about 1991, 1992, there was a cultural movement happening, a real counterculture, alternative culture movement. And essentially people my age were rejecting everything from the 1980s.

And when you looked at what Nike, Adidas, Reebok were doing, is that they were making very brightly colored white and neon-green shoes. At the same time we were — the real runners or guys in bands — were wearing big, heavy, clunky, ugly shoes to go with our dowdy flannel and our grungy jeans. Essentially you had a disconnect in the marketplace. We all made a product but nobody was making product that was culturally relevant, that was really targeted to a consumer.

So what we did is we made a product called the 800 series where we made it as functional as anybody in the marketplace, but we styled in the ways that we would have thought were attractive, so we used navy blue, we used grey, we used chunkier soles. And as a result

consumers initially came on to it in a very slow way and we sold about 17 pairs in the first season, but by the second season we had sold 2.2 million pairs.

What happened was it transformed New Balance from being this also-ran to being the embodiment of counterculture or alternative culture in the footwear business at that time and drove a tremendous amount of growth.

Make customers' needs and wants central to your marketing strategy, even when rivals are responding to other perceived trends.

Brian Moore

Vice President, Global Footwear, The Timberland Company

As Vice President of Global Footwear at The Timberland Company, Brian Moore is responsible for leading strategic merchandise planning for all men's footwear product globally. He oversees value chain activities from product line planning, to management and design.

Before his time at Timberland, Brian was the Vice President and General Manager of Gravis, a wholly owned subsidiary of Burton Snowboards. At Burton, he oversaw the general management of a global action sports footwear, apparel, and accessory brand. He also sat on Burton's senior leadership team, which made strategic and investment decisions for all Burton brands, including Burton snowboards and Analog, Anon, Gravis, and The Program brands.

Brian began his marketing and management career at New Balance, where he was involved in the launch of the 800 series of shoes, of which the 801 trail shoe was a best-seller.

Activity: The power of branding

Branding is a powerful way to identify a product and differentiate it from its competitors. Brand logos can evoke many different meanings—can you match a logo to the brand image it evokes?

Fromann's Fruit Farms wants to create a new logo to communicate its identity to consumers. Choose the logo that *best* represents the brand image expressed in each prompt.

Fromann's Fruit Farms is a humble, down-home company with old-fashioned values.

- ☐ A logo showing a friendly farmer holding a basket of apples
Correct choice. The logo of the farmer effectively puts a friendly face on Fromann's Fruit Farms and suggests that the company has humble, old-fashioned values.
- ☐ A logo showing a red cross on a heart-shaped apple
Not the best choice. This logo suggests health more than old-fashioned values.
- ☐ A logo showing an apple pie and a knife

Not the best choice. This logo suggests domesticity and baking more than old-fashioned values.

- ☐ A logo showing a green, blooming apple tree

Not the best choice. This logo suggests nature more than old-fashioned values.

Fromann's Fruit Farms wants to create a new logo to communicate its identity to consumers. Choose the logo that *best* represents the brand image expressed in each prompt.

Fromann's Fruit Farms products are a major part of a healthy lifestyle.

- ☐ A logo showing a friendly farmer holding a basket of apples

Not the best choice. This logo suggests old-fashioned values more than health.

- ☐ A logo showing a red cross on a heart-shaped apple

Correct choice. The heart and the red cross are well-recognized symbols of health, and their presence in this logo associates Fromann's Fruit Farms with a healthy lifestyle.

- ☐ A logo showing an apple pie and a knife

Not the best choice. This logo suggests domesticity and baking more than health.

- ☐ A logo showing a green, blooming apple tree

Not the best choice. This logo suggests nature more than health.

Fromann's Fruit Farms wants to create a new logo to communicate its identity to consumers. Choose the logo that *best* represents the brand image expressed in each prompt.

Fromann' Fruit Farms products are all-natural and organic.

- ☐ A logo showing a friendly farmer holding a basket of apples

Not the best choice. This logo suggests old-fashioned values more than organic nature.

- ☐ A logo showing a red cross on a heart-shaped apple

Not the best choice. This logo suggests health more than organic nature.

- ☐ A logo showing an apple pie and a knife

Not the best choice. This logo suggests domesticity and baking more than organic nature.

- ☐ A logo showing a green, blooming apple tree

Correct choice. The tree logo suggests nature and de-emphasizes the industrial and commercial aspects of farming. It implies that the fruit goes straight from the tree to the customer.

Fromann's Fruit Farms wants to create a new logo to communicate its identity to consumers. Choose the logo that *best* represents the brand image expressed in each prompt.

Fromann's Fruit Farms products are ideal for use in baking.

- ☐ A logo showing a friendly farmer holding a basket of apples
Not the best choice. This logo suggests old-fashioned values more than baking and domesticity.
- ☐ A logo showing a red cross on a heart-shaped apple
Not the best choice. This logo suggests health more than baking and domesticity.
- ☐ A logo showing an apple pie and a knife
Correct choice. The pie-and-knife logo clearly suggests baking.
- ☐ A logo showing a green, blooming apple tree
Not the best choice. This logo suggests nature more than baking and domesticity.

Strategies for product life cycles

Like human beings, products have life cycles. That is, they're born, and then—over time—their sales grow, mature, and finally decline. The strategies with which you market a product need to change with each of these life-cycle phases. The table below shows a few examples of how this might work:

Product Life Cycle

	Characteristics	Marketing Objectives	Market Strategies
Product Introduction	Low sales, high cost per customer, no profits, few competitors	Create product awareness and trial	Offer a basic product Use heavy promotions to entice trial
Product Growth	Rising sales and profits,	Maximize market	Offer product

	more and more competitors	share	extensions Reduce promotions due to heavy demand
Product Maturity	Peaking sales and profits, stable or declining number of competitors	Maximize profit while defending market share	Diversify brands Intensify promotion to encourage switching to new brands
Product Decline	Declining sales, profits, and number of competitors	Reduce expenditure and "milk" the brand	Phase out weak products Cut price; reduce promotion

Source: Philip Kotler, *A Framework for Marketing Management* (Upper Saddle River, NJ: Prentice Hall, 2001), p. 172.

Strategies for services

Designing marketing strategies for services can involve different challenges because services and products have different characteristics. Services are:

- **Intangible:** Customers can't see, touch, smell, or handle services before deciding whether to buy.
- **Inseparable:** Services are usually delivered and consumed simultaneously, so both the provider and the buyer influence the outcome of the service delivery.
- **Variable:** Services vary depending on who provides them and when and where they're provided; thus, controlling their quality is difficult.
- **Transient:** Services are used up upon delivery, not stored for future sale.

All these characteristics can make it difficult for customers to judge the quality of a service they've purchased.

So how do you design market strategies that address these unique characteristics of services? Here are some ways to focus your market strategies:

- **Select unique processes to deliver your service.** For example, offer self-service instead of table service.
- **Train and motivate employees to service customers well.** This supports the marketing-orientation philosophy that "everyone's a marketer"!
- **Develop an attractive physical (or virtual) environment in which to deliver the service.** For example, an easy-to-use and engaging Web site encourages people to learn about your company and buy your service.
- **Differentiate the image associated with your service.** An insurance company, for example, might use an image of a rock as its corporate symbol to signify strength and stability.

By using your imagination and some creative thinking, you can design powerful market strategies even for services.

Communication plan



Marketing communications simply means that you communicate to the target market about the availability, benefits, and price of your company's products.

Marketing communications covers the whole range of what most people think of the term "marketing"—advertising, direct sales, sales promotions, public relations, direct marketing, and so on.

Effective marketing communications occurs when the marketing plan is created by the marketing team in conjunction with the overall company strategic objectives *and* input from others in the company who are involved in the process of selling that product—whether as a salesperson or by producing, shipping, servicing, or accounting for the product.

Any marketing communication plan will involve these steps:

1. The marketing objectives must be clearly stated.
2. The message needs to match the target markets' needs or demands.
3. Implementation should be carefully planned.
4. The results have to be evaluated.

Pull marketing

Advertising is one of the most powerful forms of **"pull" marketing**—persuading the customer to try a product and continue to use the product. It is a paid form of impersonal promotion that can appear in many venues:

- Print brochures or flyers
- Billboards
- Point-of-purchase ads
- Television and radio ads
- Web site banners
- E-mail campaigns

The strength of advertising lies in its ability to:

- Inform (give information to the consumer). You use this form of advertising when trying to create awareness of a new product.
- Persuade (influence the consumer to buy). You use persuasive ads to focus on competitive advantages of a product.
- Remind (maintain consumer awareness). You use reminder ads to keep an aging brand in the consumers' minds.

Sales promotions are another form of "pull" marketing. In this case, you may send out coupons for product savings, contests, free trials, or cash refunds.

You may choose to use a sales promotion to introduce a new product, build brand loyalty, or gain entry into a new distribution or retail channel.

Push marketing

"Push" marketing occurs when the product is presented assertively from the seller to the consumer. The most common type of push marketing is when a company uses a direct sales force to call on prospective companies or consumers. It is the salesperson's task to persuade the consumer to purchase the product.

Salespeople are most effective for the following marketing (or selling) tasks:

- Looking for new prospects (people from whom a marketer is seeking a response—whether it's attention, a purchase, a vote, and so forth)
- Communicating face-to-face, so that customer questions and concerns can be directly addressed
- Selling, which consists of knocking on doors, presenting the product, and selling it
- Servicing, which entails providing services for customer such as repairing or replacing parts for a product
- Performing market research

All marketing communications comes back to knowing and understanding your customer and fulfilling that customer's needs, wants, and demands.

Key Idea: Importance of new offerings

Key Idea

Consumers like to have new choices, and successful companies constantly research and create new products to satisfy these desires and to build sales. But continually coming up with new offerings is important for other reasons as well:

- Consumers are often fickle creatures— their attitudes toward existing products can change quickly and unexpectedly.
- Most products have a natural life cycle and eventually become outdated.
- Your competitors are also looking for ways to offer bigger and better deals to customers.

In most businesses, companies are under pressure to constantly come up with either entirely fresh offerings or improvements on existing products.

Yet new offerings, in particular, fail at an astounding rate. In fact, 80% of recently launched products are no longer around! Products fail for many reasons; for example, product-development costs may prove higher than a company expected, or competitors fight back more fiercely— or numerous other surprises pop up to foil the plan.

What's the best way to make *your* new or improved product or service as successful as possible? Generate and test good ideas, then develop effective marketing programs for the most promising-sounding ones.

Most new offerings fail at an astonishing rate. How can you create innovative products and services that are successful?

Generate new ideas

Start generating new product ideas by asking customers what they need and want, or what they're unhappy about.

For example, a kitchen supplies company discovered that customers using the company's scrubbing pads didn't like the fact that the pads scratched their expensive cookware. The company acted on this new knowledge—and developed a no-scratch soap pad.

Note: Good ideas don't *always* come from customers. Consumers may not be aware of the available product or service possibilities, or they may not know how to articulate their needs or concerns. Still, any product idea will succeed only if it ultimately solves a consumer problem, fulfills consumers' needs, or meets their approval.

Other sources of new ideas include:

- Your competitors
- Your company's own employees
- Industry consultants and publications
- Market-research firms

Consider using all these resources, in addition to customer feedback, to brainstorm as many ideas as possible.

Test your ideas

Once you've generated ideas for new offerings, determine whether the ideas are compatible with your company's overall strategies and resources. Screen out any ideas that don't fit these criteria.

For example, if your firm specializes in expensive office furniture, ask how strongly an idea for a new desk chair might support this strategy. And decide whether the company can afford to develop and launch such a product.

If your new product ideas fit with your company's strategic plan, then test the product idea by presenting the concept to target consumers—perhaps in a focus group or through a mail-in questionnaire—and get their reactions and ideas. Depending on the product, you can create a physical model, or prototype, to show consumers. Or, you can use computer-aided design and manufacturing software to demonstrate the idea.

The figure below shows the decision process that most firms use to develop and test new products.

Source: Philip Kotler, *A Framework for Marketing Management* (Upper Saddle River, NJ: Prentice Hall, 2001).

Test-market to consumers

Once you've decided on a new product, the next step is to test it in the market.

Test-marketing lets you gauge whether the product is technically and commercially sound and how enthusiastically target customers may embrace the product. You can test-market both consumer *and* business goods and services.

To test *consumer offerings*, you can use one or more of the methods below. They range from least to most costly. Your firm can hire companies that specialize in conducting and evaluating any or all of these tests.

First, develop samples of the actual product. You'll dress these samples up with a brand name and packaging and then test them in authentic settings, with flesh-and-blood customers. Consider the following tactics:

- **Sales wave:** Let some consumers try the product at no cost. Then reoffer the product, or a competitor's product, at slightly reduced prices. See how many customers choose your product again, and gauge their satisfaction with it.
- **Simulated test marketing:** Ask a number of qualified buyers to answer questions about their product preferences. Then invite them to look at a series of commercials or print ads that include one for your new product. Finally, give them some money and set them loose in a store. See how many of them buy your product.
- **Controlled test marketing:** Place your product in a number of stores and geographic locations that you're interested in testing. Test different shelf positions, displays, and pricing. Measure sales through electronic inventory control systems.
- **Test-market:** This is test-marketing on a grand scale. Select a few representative cities, get your sales force to give the product thorough exposure in those cities, and unleash a full advertising and promotion campaign. See how well the product sells.

Leadership Insight: Customer input

There's an old saying: "Markets that don't exist can't be measured and analyzed." What that means is, if you're innovating, if you're doing something that has never been done before, sometimes you've got to figure out new ways to determine whether your idea is a good one.

Here's an example of that. Back in 2004, I was working with a team at Procter & Gamble. The team had a great idea on its hands. It was a daily probiotic supplement that was targeted at people who had irritable bowel syndrome. If you were a sufferer of IBS, if you took this supplement every day for about 30 days, your symptoms would begin to disappear.

When I met the team, I thought they were going to be elated. They had this great idea. The consumers who took it said their lives changed, and you had to take it every day, so you could create a really good, powerful business model.

But the team was despondent. I said, "What's the matter?" They said, "Well, we're about to get shut down." I said, "Well, how can that be? This is such a great idea."

They said, "But the problem is, our forecast came in and it was awfully small. And we've got to spend a lot of money to commercialize this, and management won't let us do that."

I said, "Well, let's talk about that forecast. Is it possible that the forecast is wrong? How did you estimate the potential of this opportunity?"

Well, they did what you frequently do. They went to the consumers and asked them, "Will you buy this? How frequently will you buy it?" For it to be a big opportunity, the consumer would have to buy it every month. One pack of 30 pills, 12 times a year. But the consumers said they wouldn't do that.

I said, "Is there a way to figure out if the consumer doesn't understand and can't give you a proper answer without spending a huge amount of money?" So we got management's approval to launch the product online, did very targeted marketing to stimulate demand in a couple of areas, and saw what happened when the real consumers got their hands on the product.

It turned out the consumers were wrong. They would comply, they would take the pills all the time, and the market forecast began to go up. In early 2009, P&G launched the product under the name Align. Now it's set to be a very interesting product that creates a lot of growth for P&G.

Key lesson from this? The future can't always be derived analytically. Sometimes you've got to figure out ways to test your key assumptions — figure out cheap, quick ways to learn more. You can't always find it from research reports. Sometimes you've just got to do it.

Test key assumptions by marketing a new product to a small group of consumers.

Scott Anthony
Managing Director, Innosight Ventures

Scott Anthony is the Managing Director of Innosight Ventures, a consulting, training, and investment firm that works with Fortune 500 companies, startups, nonprofits, and national governments to improve their ability to create innovation-driven growth.

Previously, Scott was the President of Innosight's consulting arm, where he worked with Fortune 500 and startup companies in industries such

as media, consumer products, investment banking, and health care. Prior to joining Innosight, Scott was a senior researcher with Clayton Christensen, managing a group that worked to further Christensen's research on innovation.

He has written three books on innovation: "Seeing What's Next," with Harvard professor Clayton Christensen; "The Innovator's Guide to Growth," with Mark Johnson, Joe Sinfield, and Elizabeth Altman; and "The Silver Lining: An Innovation Playbook for Uncertain Times."

He is a regular contributor to Harvard Business Online and serves as the editorial director of Strategy & Innovation, Innosight's biweekly publication.

Scott has a Bachelor of Arts in economics from Dartmouth College and a Master of Business Administration from Harvard Business School.

Activity: Launch an "a-peeling" new product

Marketing a new product requires thorough knowledge of your customers and competition. See if you can help a company launch a new product and position it effectively.

The PeelCo "Quick Peel" is a handheld peeler aimed at individuals. The "Quick Peel" has long been a leader in the peeler market, but sales over the last three years have dropped more than 25%. PeelCo has determined that it will be necessary to launch a new product.

Potential New Products:

The Quick Peel 2 is a refresh of the original Quick Peel, with an improved slicing blade and a new rubber grip.

The Peelermatic is an expensive, high volume peeler that was created after researching the competitor's product. It would be aimed at the industrial/institutional market.

The iPeel is a high tech prototype peeler created from input from one of the company's customers. The iPeel's price would likely put it out of the range of most of the company's family and individual customers.

The Mass-a-Peel Deluxe has been created using industry research. Family purchasers are looking for a peeler that they feel is positioned as "industrial quality". This product is a compromise between mid-range and high-end.

Customer Demographics:

According to Demographic studies, in the past three years, individual peeler sales have dropped dramatically, family peeler sales have remained steady, and industrial peeler sales have skyrocketed.

Competitors:

The Peelinator 6000 was launched last year, and sales have skyrocketed. The peeler is aimed at the industrial market. Although family purchasers are attracted to high-volume, industrial quality

peelers, it is too expensive for most families and individuals.

The PeelLux ICE is a luxury peeler sold to individuals. Sales have never been high enough to threaten the Quick Peel market. However, the manufacturer's trendy marketing strategies have made the PeelLux ICE the most recognized peeler on the market.

Which new product do you think would most successfully increase PeelCo's sales?

- ☐ The Quick Peel 2

Not the best choice. The Quick Peel 2 is a refresh of your existing product, the "original" Quick Peel. While new products adapted from previous ones are often a smart decision, the Quick Peel 2, like the Quick Peel, is targeted towards individual consumers—a segment that is now purchasing your product in fewer numbers than ever before.

- ☐ The iPeel

Not the best choice. The iPeel is a high tech peeler suggested by one of your customers. However, like one of your competitor's products, the PeelLux ICE, the iPeel has a high price tag and limited appeal. Very few of your consumers will purchase it.

- ☐ The Peelermatic

Not the best choice. Although the Peelermatic will appeal to the expanding market for industrial apple peelers, it is too expensive for families, which constitute another large market that your company should target. A product that appealed to both markets would have an edge on the Peelinator 6000, which appeals to the industrial market but is cost-prohibitive for families.

- ☐ The Mass-a-Peel Deluxe

Correct choice. Your company's current flagging sales in the individual peeler market, combined with customer demographics and competitor information, support your decision to launch a product that is aimed at the much larger family and industrial market segments.

Now that you have selected your product, it's necessary to create a marketing strategy.

Logo One is a colorful, homey, traditional, interpretation of a peeled red apple.

Logo Two is a slick, modern and graphic black and white image of an apple peeling with the stem attached.

Which of the two proposed logos do you think will best sell PeelCo's new product?

- ☐ Logo One

Not the best choice. While many users may identify this logo with the Quick Peel brand, evidence from some of your competitors proves the need for a well designed logo.

- ☐ Logo Two

Correct choice. As evidence from some of your competitors shows, a slick, well designed logo can help consumers identify your product in a crowded market.

Now it's time to decide which demographic you will target with the marketing for your new product, the Mass-a-Peel Deluxe.

Customer Demographics:

According to Demographic studies, in the past three years, individual peeler sales have dropped dramatically, family peeler sales have remained steady, and industrial peeler sales have skyrocketed.

Competitors:

The Peelinator 6000 was launched last year, and sales have skyrocketed. The peeler is aimed at the industrial market. Although family purchasers are attracted to high-volume, industrial quality peelers, it is too expensive for most families and individuals.

The PeelLux ICE is a luxury peeler sold to individuals. Sales have never been high enough to threaten the Quick Peel market. However, the manufacturer's trendy marketing strategies have made the PeelLux ICE the most recognized peeler on the market.

Which is the most appropriate target demographic for PeelCo's new product?

☐ Individual

Not the best choice. Your demographic information shows that the market for apple peelers among individuals has shrunk dramatically in the past three years.

☐ Family

Not the best choice. Although families are a large market for apple peelers, they are not as large as the industrial market. Also, remember that it was noted that family purchasers are attracted to high volume peelers of industrial-level quality. Thus, targeting families directly may not actually be the best way to appeal to them.

☐ Industrial

Correct choice. Remember, it was noted that family purchasers are attracted to high volume peelers of industrial-level quality. Targeting your product at industrial customers will also increase its appeal among families and increase sales revenue greatly.

Test-market to organizations

To test *business offerings*, use these methods:

- **Alpha testing:** Build a few units of the new product or create a test pilot for the service. Then carefully select a couple of your most important and *friendliest* customers to try the product for free and comment on its functionality, features, and problems. You might make sure that a representative from your firm accompanies the unit to the alpha-testing customer and "walks" them through the testing process. Your goal at this point is to collect advice for making the product or service the best it can be.

- **Beta testing:** This resembles alpha testing, except that it's done a bit later in the product-development process—when the product is somewhat closer to its final form. With beta testing, send more units out to more customers for their feedback than you did with alpha testing. You might have a more specific list of concerns or issues that you want testers to think about as they use and experiment with the product. And, you might actually offer to sell testers the product at a big discount.
- **Trade show exhibits:** Observe how much interest participants show in the product, how they react to various features, and how many express clear intention of buying the product or placing an order for it. Note, though, that your competitors will also get a look at your product at trade shows. Therefore, it's best to launch the product soon after the show.

The marketing plan



The marketing plan lays out a campaign that will transform the **product concept** into a successful offering that meets target customers' needs.

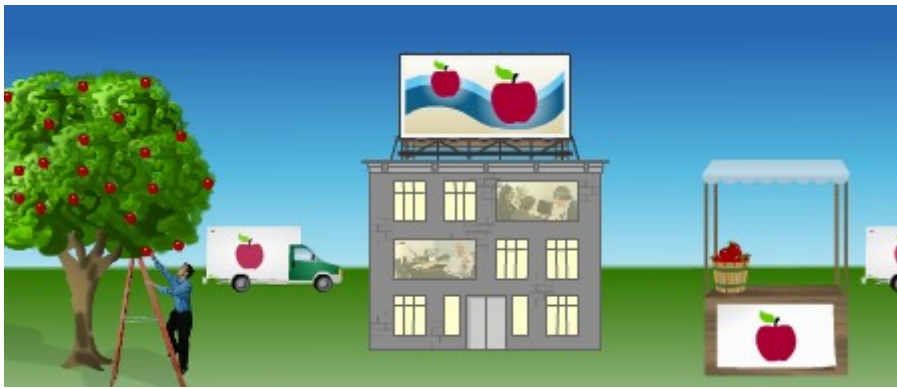
You can help put the marketing plan into action first by understanding how your company manages its marketing efforts. Then you can determine how you might best work with supervisors, peers, and direct reports to contribute to the marketing plan's implementation.

A management process entails:

- Organizing the firm's marketing resources to implement and control the marketing plan
- Putting feedback and control structures in place to ensure the plan's success and respond to any surprises or disappointments

By understanding how your firm organizes its marketing efforts, you can more effectively figure out where *you* stand within that structure.

Today's marketing environment



Organizations today operate in a rapidly shifting environment, and change comes in many forms, such as:

- Globalization
- Deregulation
- Technological advances
- Market fragmentation

How can *your* firm respond to these changes quickly enough to remain competitive?

Integration is the key. Your firm needs to integrate all the processes that intersect with customers. If it does this well, no matter how many changes are occurring within and without of the company, customers will see a single face and hear a single voice whenever they interact with your firm.

This integration process starts with a cohesive structuring of the marketing department itself.

Your marketing department

Marketing departments may be organized on the basis of one of several different emphases. Here are some examples:

- **Function:** Many marketing departments consist of functional specialists—for example, a sales manager and market-research manager who report to a marketing VP. This structure simplifies administration of marketing, but loses effectiveness if products and markets proliferate. Specifically, products that no one favors may get neglected, and functional groups may compete for budget and status.
- **Geography:** A firm's national sales manager supervises several regional sales managers, who supervise zone managers, who in turn oversee district sales managers, who finally manage salespeople. Some companies subdivide regional markets further into ethnic and demographic segments and design different ad campaigns for each.
- **Product or brand:** A product or brand manager supervises product-category managers, who supervise specific product and brand managers. This structure works well if the company creates markedly different kinds—or huge numbers—of products. It lets product managers develop a cost-effective marketing mix for each product, respond quickly to marketplace changes, and monitor smaller brands. However, it can result in conflict if product managers don't have enough authority to fulfill their responsibilities.
- **Customer markets:** Companies that sell their products to a diverse set of markets—for instance, offering fax machines to individual consumers, businesses, and government agencies—have a marketing manager who supervises market specialists (sometimes also called industry specialists).

- **Global perspective:** Companies that market internationally may have an export department with a sales manager and a few assistants, or an entire international division with functional specialists and operating units structured geographically, according to product. Or such firms may be truly global organizations—where top management direct worldwide operations, marketing policies, financial flows, and logistical systems. In these companies, global operating units report directly to top management, not to an international division head.

Successful implementation skills

Regardless of how your firm's marketing activities are organized, the company still needs to clarify who, where, when, and how different individuals are going to implement a marketing plan.

Successful implementation of any marketing plan hinges on these four skill sets:

1. **Diagnosis:** anticipating what might go wrong and preparing for it
2. **Identification of a problem source:** looking for the source of a problem in the marketing function, the plan itself, the company's policies or culture, or in other areas
3. **Implementation:** budgeting resources wisely, organizing work effectively, motivating others
4. **Evaluation:** assessing the results of marketing programs

Companies staffed by people who have these skills stand an excellent chance of seeing their marketing programs transformed into actual market successes.

Control the marketing process

Even when prepared with a cohesive plan, the resources needed, and all the right skills, your company will still encounter surprises while implementing its marketing programs. That's because business—like life—rarely goes exactly according to plan.

Here are just a few examples of the many different marketing surprises your firm may experience:

- Customer demand for a product proves lower than your market research led you to believe.
- Consumers use your product in a way you never intended.
- A previously invisible competitor blind-sides you with a dazzling new offering.
- The cost of an ad campaign is higher than you estimated.

Constant monitoring and control of the firm's marketing activities can help your company respond effectively to these kinds of unexpected events.

The table below shows four types of marketing controls and explains who's responsible, why a company might select this form of control, and how the firm might implement these control measures:

Controlling the Marketing Process

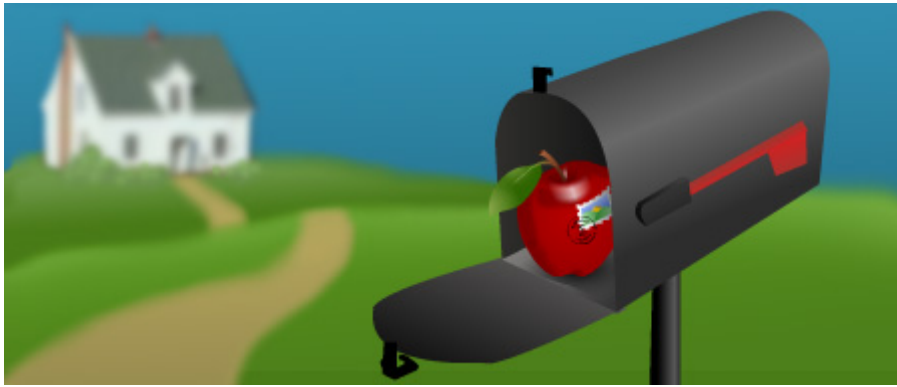
Type of Control	Who's Responsible?	Why This Control Type?	How to Control?

Annual plan	Top and middle managers	To assess whether planned results have been achieved	Analyze sales, market share, marketing expense-to-sales ratio
Profitability	Marketing controllers	To see where the company is making and losing money	Measure profitability by product, territory, customer, segment, channel, order size; measure ROI
Efficiency	Line and staff managers; marketing controllers	To improve the spending and impact of marketing dollars	Measure efficiency of sales force, advertisements, sales promotions, distribution
Strategy	Top managers, marketing auditors	To ask whether the company is pursuing the best market, product, and channel opportunities	Review marketing effectiveness and company's social and ethical responsibilities

Depending on your role, and your company's choice of control type, you may find yourself responsible for one or more of these activities. Or, others in your company may need your help gathering the required information to conduct these assessments.

Whichever part of the control process you're involved in, you can feel proud about contributing to a key stage in your firm's marketing process.

What is direct marketing?



Will you order this year's holiday gifts from catalogs instead of heading for the shopping malls? Have you sent money in response to a mailed-in request for donations to a charitable cause? Has your company been purchasing raw materials over a Web site rather than placing orders with your suppliers' sales force?

If you answered "Yes" to any of these questions, then you've participated in or seen direct marketing in action.

Companies engage in **direct marketing** when they sell their products and services directly to customers *without* the use of intermediaries such as wholesalers, retailers, and so forth. To do so, they can use traditional media, such as:

- Printed, mailed marketing pieces
- Radio
- TV
- Telemarketing
- Faxes

They can also use newer media, such as:

- E-mail
- Web sites
- Online services

As you may have guessed from the printed marketing materials you receive in your mailbox, or the e-mails you receive at your business or your home, direct marketing is showing remarkable growth. Here are just a few statistics:

- Direct-mail sales in the United States alone are growing 7% annually—a significant improvement over U.S. retail sales' annual increase of 3%.
- Annual catalog and direct-mail sales in the United States have exceeded \$318 billion.

Why direct marketing?

Direct marketing has been growing so fast because it provides increased benefits in today's business world of intensifying competition. It enables companies to:

- Buy mailing lists containing the names and contact information of almost any group of target customers; for example, left-handed people, millionaires, new consulting companies
- Personalize and customize the messages they deliver to target customers
- Time the delivery of messages so that they reach prospects at the right moment

- Achieve higher readership of printed materials
- Test messages and media to find the most cost-effective approach
- Conceal their offerings and strategy from competitors
- Measure customer responses to identify the most profitable campaigns
- Integrate direct-marketing strategies with other strategies, such as paid advertisements
- Reach customers less expensively than through a sales force

Direct marketing's most important benefit for companies is that it lets firms engage in **relationship marketing**, or **one-to-one marketing**. Through this special kind of marketing, companies build stronger, more profitable bonds with target customers.

Benefits to customers

Customers—whether individual consumers or businesses—also appreciate direct marketing for many different reasons. They can:

- Shop more easily and quickly from home or the office
- Choose from a larger selection of merchandise
- Compare products, services, and prices easily
- Order goods 24 hours a day
- Learn about available products or services without tying up time meeting with salespeople
- Receive their purchases quickly through next-day delivery services

In addition, technology has made it easier than ever for companies to compile robust **customer databases**, organized collections of updated, accessible information about individual customers or prospects. Your company's customer database lets it:

- **Identify prospects:** The company may generate sales leads by advertising its product and then build a database from the responses that come in. It can sort through the database to identify the best prospects and then contact them by e-mail, mail, phone, or other means in an attempt to convert them into customers.
- **Decide which customers should receive a particular offer:** The firm defines the ideal target customer for an offer, then searches the database for those most closely resembling the ideal.
- **Deepen customer loyalty:** The company can pique customers' interest and enthusiasm by remembering their preferences and sending gifts, coupons, and special information.
- **"Reactivate" customer purchases:** Your firm can use automatic mailing programs to e-mail or send customer birthday cards, holiday shopping reminders, or other timely offers.

The dark side of direct marketing

Direct marketing clearly offers crucial benefits to both sellers and buyers. But it can also have its dark side—characteristics that might serve to turn customers away from your product:

- **Customer irritation:** Many consumers view direct-marketing solicitations as annoying. Most e-mail programs have "spam filters" to help individuals weed out unsolicited e-mails.
- **Unfairness:** Some unscrupulous direct marketers take advantage of impulsive buyers; for example, by using inflated claims to capture customers with low sales resistance.
- **Outright deception and fraud:** These include false claims about products and performance and questionable gimmicks such as envelopes that resemble government documents or

"personalized" e-mail subject lines—which make recipients feel compelled to open and read the contents.

- **Invasion of privacy:** Critics worry that marketers know too much about customers' lives and may use this knowledge to take advantage. For online marketers, consumers are particularly worried about the security of their credit-card numbers and other personal information.
- **Chaos and clutter:** For online marketers, especially, the Internet makes a staggering amount of information possible. Navigating the Web can be frustrating or overwhelming for some consumers, thus many companies' sites go unnoticed.

These problems, if left untended, will ultimately turn customers away from direct marketing. Companies that realize this and work to address these issues—providing honest and well-designed marketing offers only to those consumers who appreciate being contacted—will ultimately be more successful.

Direct-marketing channels

Direct marketing may involve a number of channels. For example:

- **Face-to-face selling:** including individuals who sell products for direct-sales organizations
- **Direct mail:** including printed offers, announcements, reminders, or other messages sent directly to a person or business at a particular address; nonprinted items mailed to consumers, such as free video or CDs, e-mail, voice-mail, and text messages
- **Catalogs:** pamphlets or books describing the company's merchandise and containing order forms or toll-free ordering numbers
- **Telemarketing:** phone calls designed to attract new customers, contact existing ones, or take orders
- **Direct-response TV:** such as home-shopping channels and TV ads that invite viewers to call a toll-free number to get more information or place orders
- **Kiosks:** machines placed in stores, airports, and other locations that let allow customers to place orders

With so many available channels, companies need a systematic approach to deciding which to use in their direct-marketing campaigns. Increasingly organizations are relying on online media to deliver marketing messages because of its global reach, ease of measurement, and relative low cost when compared to traditional direct marketing channels.

Online marketing



Electronic communications of all sorts have shown explosive growth, with Internet traffic doubling every 100 days and millions of Web sites already open for business—and more coming online every day.

This new technology has taken several forms:

- **The Internet:** the international web of computer networks that makes global communication instantaneous and decentralized
- **Electronic markets:** individual companies' Web sites that (1) describe a firm's offerings, (2) let buyers search for information and place orders using a credit card, (3) arrange for delivery of the product physically (to the customer's home or office) or electronically (as in the case of software and music downloaded to the customer's computer)
- **Electronic commerce:** business transactions enacted over a wide variety of platforms, such as use of fax or e-mail, automated teller machines (ATMs), and "smart cards" that facilitate payment (such as for long-distance telephone service)
- **Commercial online services:** companies that offer online information and services such as news, entertainment, shopping advice, chat rooms, and e-mail capabilities to paid subscribers

Characteristics of online marketing

In addition to understanding the various forms of online marketing, companies must understand the differentiating characteristics of online consumers:

- They comprise an almost equal number of men and women.
- They represent an increasingly skeptical and demanding mindset.
- They tend to place great value on information.
- Many of them respond negatively to messages aimed only at selling.
- They like to control the information they receive about products, and the conditions under which they receive that information.
- They—not the marketers—give permission to be contacted and control the resulting interactions.
- They're well informed and more discerning shoppers.
- They generally respond to targeted messaging.

Online consumers are very much in control, forcing many companies to rethink time-honored approaches to marketing.

Online marketing options

In light of these characteristics, how can your company best conduct its online marketing efforts? Here are some options to choose from:

- **Maintain a central electronic presence.** Almost all organizations have their own Web sites to describe their offerings. However, many may still choose to sell products or services through another company's Web site, such as those that aggregate sellers like eBay or Amazon. Consider also using a "microsite" (a small, specialized site) to share information about specific occasions or products.
- **Advertise online.** Advertise in special sections offered by commercial online services; in Internet newsgroups set up for commercial purposes; or through strategic placement of banner,

interstitial, and rich-media ads on other companies' Web sites. Consider also keyword (or pay-per-click) advertising on popular search engines.

- **Optimize search engine results.** Improve the quantity and quality of traffic to your Web site through search engine optimization (SEO). Specialized firms can help you edit your Web site's content to increase its relevance to specific keywords and remove barriers to site indexing.
- **Send e-mails.** Send electronic newsletters, special product offers, reminders of upcoming promotions, and announcements for special events. Invite people to e-mail your firm with questions, suggestions, and complaints. To avoid being labeled as a "spammer" (a company that sends unsolicited e-mail), consider asking for customers' permission before sending e-mail offers.

As technology continues to evolve and consumers become ever more technology-savvy, marketers will need to constantly examine their strategies and programs in a new light. Those who can adapt to changing conditions with fresh and creative thinking will dominate.

What is relationship marketing?



The combination of traditional direct-marketing media, such as mailings, radio spots, kiosks, and so forth; new media, including the Internet and e-mail; and recent database technologies has created a whole new approach to marketing. That approach is called **relationship marketing**, or **one-to-one marketing**.

Through relationship marketing, firms learn more and more about their target customers—often by compiling powerful databases that keep track of buyers':

- Purchasing behavior and history
- Product preferences
- Concerns or complaints about the company's products or services
- Lifestyles
- Other personal characteristics, such as age, marital status, income level, race, and so forth that could affect buying decisions

Using that information, companies can tailor their marketing communications to attract and maintain those customers. They can also customize their offerings to constantly meet target customers' changing needs.

Key Idea: Why relationship marketing?

Key Idea

Relationship marketing lets companies build strong, profitable bonds with their target customers. Organizations benefit from these bonds because loyal customers generate greater and greater profits every year they do business with a particular company. How?

- These customers buy more and more often from the company, and they tend to spend increasing amounts of money over time.
- At the same time, the costs associated with serving such customers—including entering them in the company's database, getting to know their preferences, and processing information about them—gets spread out over time. Thus that cost decreases with every purchase from a particular customer.

Consumers also benefit from relationship marketing:

- By building bonds and accumulating a purchasing history with trusted companies, customers can avoid the time-consuming— and often stressful—process of shopping around for the best deal.
- Because these trusted companies know them, customers may hear about attractive products, services, or special offers that they would not have found out about from less familiar companies. Sometimes, companies may even suggest a product that a customer would not have thought of as attractive on his or her own. In other words, a company may sense a customer's need and identify ways to satisfy it even before the customer is aware of that need.

Building strong bonds with customers can be a great way to generate and sustain business. From a marketing perspective, what are some of the benefits of forming these relationships?

The downside of relationship marketing

Though relationship marketing has enormous potential, it carries a serious risk as well: the danger of irritating consumers with overly frequent contact or requests for personal information.

Consumers may resist marketers' efforts to build one-on-one relationships for several reasons:

- They simply don't want to invest time and effort in maintaining relationships with companies. Perhaps they would rather cultivate other kinds of relationships or invest time and energy in other areas of their lives. Or, they may be uncertain about what kinds of products, services, or attention they want from marketers.
- They feel that companies are not "pulling their weight" in these arrangements. That is, some people value such one-to-one relationships but feel that firms are repeatedly asking them for personal information without providing any attractive, personalized services in return.

To understand how consumers perceive and respond to relationship-marketing efforts, consider the table below.

Consumer Perceptions of Relationship Marketing

	Example	Result
Consumer		

Perception		
"Too many companies want personal relationships with me!"	One consumer receives five mailings in a single day requesting personal information about him or her and promises of valuable offers if he or she responds.	Marketing advances seem trivial, useless, or annoying. Consumers' interest in relationship building evaporates.
"Companies want my friendship, loyalty, and respect—but they're not giving me those same things in return!"	A hotel requests personal information from guests—their address, the purpose of their travels, the number of times they travel each year—but doesn't provide anything in return.	Consumers see marketing as a "one-way street" that benefits companies only.
"Companies treat their best customers like kings and queens—and ignore the rest of their customers!"	A rental-car company drops off "club" members at their cars but makes non-club—but loyal—customers walk.	Loyal customers feel devalued.
"Companies offer too many options—I can't keep them straight in	A health-and-beauty-products manufacturer offers a single toothpaste brand in 55 different product and	Customers feel overwhelmed and paralyzed.

my mind!"	packaging variations.	
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Maintain customer trust

To keep consumers' trust in marketers, you can prove—through your actions—that a one-to-one relationship can be valuable and stress-free for customers. To do this, firms can rethink these aspects of marketing:

- **Product design:** Ask whether your new products fulfill customer needs—or just cause confusion or annoyance. Evaluate consumers' likely reactions, then eliminate features or functions that threaten to prove overwhelming or irritating for buyers.

For example, one health-and-beauty-products manufacturer has standardized its products' packaging and pruned marginal brands that attracted mediocre consumer attention.

- **Consumer control:** Offer customers tools or methods for controlling the degree of frustration they may encounter in using your products or services.

For instance, one Internet service provider's software lets customers block unsolicited e-mails.

- **Handling of personal information:** If your firm is not using the personal information they're gathering from customers, stop collecting it "just in case." Be honest with consumers, too, about why you request personal information: You want to win their business and loyalty. Then, make sure they understand why your deal is the best.

Companies must actively get to know their customers. Here are some ideas:

- Get as many people as possible—your company's product managers, engineers, package designers, and so on—visiting and talking face-to-face with actual consumers in *their* world. Don't assume that conducting market research within the confines of your office or inviting customers to come talk with you on your company's turf is enough to get to know your customers.
- Find out how people actually use—and feel about—your company's offerings. You can get an "up-close-and-personal" view of "a day in the life of a customer" through videotape sessions and through photographing customers as they're using your products—all with your customers' permission, of course. You can also invite customers to participate in product-discussion groups on your company's Web site—though if you do so, consider offering them something in return.

By getting to know your customers—and using that knowledge to *genuinely* keep their best interests in mind—you can do your part to achieve a marriage (or at least a relationship) made in heaven.

Key Terms

Advertising. Any paid form of non-personal presentation and promotion of ideas, goods, or services by an identified sponsor.

Brand. A company or product name, term, sign, symbol, design—or combination of these—that identifies the offerings of one company and differentiates them from those of competitors.

Brand image. A customer's perceptions of what a brand stands for. All companies strive to build a strong, favorable brand image.

Competition. All of the actual and potential rival offerings and substitutes that a buyer might consider.

Competitor. Any company that satisfies the same customer needs that another firm satisfies.

Demand. A want for a specific product that is backed by a customer's ability to pay.

For example, you might *want* a specific model car, but your want becomes a *demand* only if you're willing and able to pay for it.

Differentiation. The act of designing a set of meaningful differences to distinguish a company's offering from competitors' offerings.

Exchange. The core of marketing, exchange entails obtaining something from someone else by offering something in return.

Industry. A group of firms that offer a product or class of products that are close substitutes for each other.

Marketer. Someone who is seeking a response—attention, a purchase, a vote, a donation—from another party.

Marketing. The process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individual and organizational goals.

Marketing channels. Intermediary companies between producers and final consumers that make products or services available to consumers. Also called *trade channels* or *distribution channels*.

Marketing concept. The belief that a company can achieve its goals primarily by being more effective than its competitors at creating, delivering, and communicating value to its target markets. The marketing concept rests on four pillars: (1) identifying a *target market*, (2) focusing on *customer needs*, (3) coordinating all marketing functions from the *customer's point of view*, and (4) achieving *profitability*.

Marketing mix. The set of tools—product, price, place, and promotion—that a company uses to pursue its marketing objectives in the target market.

Marketing network. A web of connections among a company and its supporting stakeholders—customers, employees, suppliers, distributors, and others—with whom it has built profitable business relationships. Today, companies that have the best marketing networks also have a major competitive edge.

Market-oriented strategic planning. The managerial process of developing and maintaining a viable fit among a company's objectives, skills, and resources and its changing market opportunities.

Need. A basic human requirement, such as food, air, water, clothing, and shelter, as well as recreation, education, and entertainment.

Positioning. The central benefit of a market offering in the minds of target buyers.

For example, a car manufacturer that targets buyers for whom safety is a major concern would position its cars as the safest that customers can buy.

Procurement. The process by which a business buys materials or services from another business, with which it then creates products or services for its own customers.

Product concept. The belief that consumers favor products that offer the most quality, performance, or innovative features.

Product. Any offering that can satisfy a customer's need or want. Products come in 10 forms: goods, services, experiences, events, persons, places, properties, organizations, information, and ideas.

Production concept. The belief that customers prefer products that are widely available and inexpensive.

Profitable customer. An individual, household, or company that, over time, generates revenue for a marketer that exceeds, by an acceptable amount, the marketer's costs in attracting, selling to, and servicing that customer.

Prospect. A party from whom a marketer is seeking a response—whether it's attention, a purchase, a vote, and so forth.

"Pull" marketing. A type of marketing that attempts to persuade the customer to try a product and continue to use the product. One of the most common types of pull marketing is advertising.

"Push" marketing. A type of marketing in which the product is "pushed" from the seller to the consumer. The most common type of push marketing is when a company uses a direct sales force to call on prospective companies or consumers.

Relationship marketing. Building long-term, mutually satisfying relations with key parties—such as customers, suppliers, and distributors—to earn and retain their long-term business.

Sales promotion. A collection of incentive tools, usually short term, designed to stimulate consumers to try a product or service, to buy it quickly, or to purchase more of it.

Satisfaction. A customer's feelings of pleasure or disappointment resulting from comparing a product's perceived performance with the customer's expectations of that performance.

Selling concept. The belief that companies must sell and promote their offerings aggressively because consumers will not buy enough of the offerings on their own.

Societal marketing concept. The belief that a company's task is to identify the needs, wants, and interests of target markets and to deliver the desired satisfactions better than competitors do—but in a way that preserves or enhances consumers' and society's well-being.

Supply chain. The long series of activities that result in the creation of raw materials, then components, and then final products that are carried to final buyers. A supply chain includes the marketing channels that bring products to customers.

Value. The ratio between what a customer gets and what he or she gives in return.

Want. A desire that occurs when a need is directed to specific objects that might satisfy that need; for example, a hamburger is a *want* that might satisfy the *need* for food.

Frequently Asked Questions

Why must my company constantly push itself to generate new products and services? Shouldn't our established offerings be enough if they're high quality and successful?

Unfortunately, no. Though your existing products and services may currently meet customers' needs and generate the financial returns your company is looking for, all that could change more quickly than you might realize. For example, consumer attitudes toward existing products can shift rapidly and unexpectedly. In addition, most products have a natural life cycle and eventually become outdated. Finally, your competitors are always looking for ways to offer more attractive options to customers. Thus to sustain its success, your firm must continually identify and leverage opportunities either to generate entirely new offerings or to create attractive improvements to existing ones.

What are the *biggest* changes in business that my firm should be aware of in designing its marketing efforts?

The business world is always changing, and different developments have more importance at different times. However, at the dawn of the new century, the toughest market challenges include the following: More global competitors are making high-quality products at lower costs, intense price cutting and discounting in all industries are prompting buyers to "shop" for the lowest prices, technological advances (such as the Internet) are making it easier for consumers to price shop and play companies against each other, more and more distributors are dictating terms to manufacturers, the mass market is splintering into many micromarkets requiring tailored marketing efforts, and market costs are rising owing to the declining effectiveness of mass media and the steep costs of personal selling. Despite these challenges, your company needs to find new opportunities.

Marketing seems to be a huge subject. What's the best way for me to master it quickly?

Marketing *is* a huge subject. Although you can certainly grasp the basics by going through this topic, taking some courses in it, reading books on your own, and talking with marketing specialists in your firm, marketing actually takes time and experience to master. That's because marketing problems don't exhibit the neat, measurable properties that problems in the production, accounting, and finance areas can demonstrate. Psychological forces play a large role in marketing problems, and marketing expenditures affect demand and costs simultaneously. Also, every marketing plan both shapes and is shaped by other business-function plans—confusing matters even further. Thus, marketing decisions often need to be made in the face of insufficient information about processes that are ever shifting, interactive, and unusually complex. All this points to the need for not only patience, but also better strategic theory and sharper analytical tools and a great deal of common sense!

I work for a not-for-profit organization. Am I correct in assuming that our firm doesn't need to engage in marketing with quite the same energy that a for-profit corporation does?

Actually, all organizations—if they hope to achieve their missions and sustain their success—need to adopt a strong marketing orientation. Even though not-for-profit organizations may not be setting out to improve shareholder returns, they still provide some sort of exchange with or service for people. They face the same *kinds* of marketing problems that for-profit corporations must grapple with.

For example, colleges compete for students, museums try to attract visitors, performing-arts organizations work to develop audiences, churches and other spiritual centers seek members—and all of them need funding. Moreover, individuals market themselves: Politicians seek votes, doctors seek patients, and artists seek celebrity.

What's common to all of these cases? A desire to attract a *response* or *resource* from someone else—whether it's that person's attention, interest, desire, purchase, or positive word-of-mouth. But to elicit those responses, one must offer something that someone else views as valuable. Thus *exchange* is the core concept underlying all marketing.

What's the latest in marketing theory and practice?

Here's one that comes to mind: With the intensifying interest in relationship marketing, some scholars today are questioning whether the core concept underlying marketing should be *exchange* or *relationship* or *network*. As the forces of technology and globalization continue to grow apace, insights into this question will come into sharper focus. One thing is certain, however: Computers and the Internet will continue to catalyze enormous changes in buying and selling behavior.

What big marketing lessons learned by other companies should I be paying attention to?

Perhaps the biggest lesson has to do with globalization. No longer does one country, industry, or company have an exclusive lead on quality, creativity, or capital. More and more formerly complacent companies have learned that they can no longer afford to ignore foreign competitors, foreign markets, and foreign sources of supply. Moreover, companies can't allow their wage and material costs to get far out of line with the rest of the world. Nor can they ignore emerging technologies, materials, equipment, and ways of organizing.

Equally important, all too many companies have learned the hard way that they must focus first on customer satisfaction, and second on profits; that is, they need to rely first on marketing, and second on selling. To be sure, these shifts in perspective require major attitude changes. However, companies must make these changes if they hope to both survive and thrive in the ever-changing world of business.

Overview

This section provides interactive exercises so you can practice what you've learned. These exercises are self-checks only; your answers will not be used to evaluate your performance in the topic.

Scenario

Assume the role of a manager in a fictional situation and explore different outcomes based on your choices (5-10 minutes).

Check Your Knowledge

Assess your understanding of key points by completing a 10-question quiz (10 minutes).

Scenario: Part 1

Part 1

Grace has been promoted to brand manager for CrunchPops, a breakfast food offered by the global conglomerate TopFoods, Inc. The cereal is a popular offering with a strong record, but sales have slipped somewhat over the past year.

Grace decides to investigate what's going on in the breakfast cereal market. She also puts some thought into various ways of positioning the product. She knows she needs to prepare a marketing plan to present her ideas. However, she's never prepared one before and is unsure of what to include in the plan.

What should Grace include in her marketing plan?

- [An analysis of how CrunchPops compares with TopFoods' overall breakfast cereal line](#)

Not the best choice.

Grace's marketing plan should focus on the specific product in question: CrunchPops. Sometimes a company will create a marketing plan for an entire product line. However, since Grace's job is to manage the CrunchPops brand, she should make sure her plan focuses on that single product.

- [Her ideas for exploring consumer perceptions of CrunchPops and market trends](#)

Correct choice.

Conducting market *research* will help Grace understand customers' perceptions and needs—the first step in the marketing process. Customers' needs drive their purchasing decisions. Successful companies stay informed about changes in customers' needs, and adapt their offerings and product strategies accordingly.

Grace should document her ideas in the market research section of the marketing plan. The section should contain any prior market research, along with the new research Grace plans to conduct. Marketing plans contain many components besides market research, such as past and projected performance of the product, the product's unique selling points, a competitive analysis, a target customer profile, and descriptions of intended marketing tactics.

- [A comparison of all products that compete with CrunchPops in the breakfast cereal market](#)

Not the best choice.

Though it's important to include information about competitors in a marketing plan, Grace's competitive analysis should focus only on key competitors, their market share, and their specific offerings and prices. Providing details on all competing products would make the marketing plan overly lengthy and less useful.

Scenario: Part 2

Part 2

As part of her market research, Grace conducts customer surveys. Several responses to the surveys suggest that TopFoods' customers don't tend to associate CrunchPops with product characteristics such as "healthy" or "environmentally responsible." Grace also discovers that TopFoods' major competitors are taking more of a "societal" marketing orientation— meaning they're identifying and serving consumers' needs in socially and environmentally responsible ways. Traditionally, TopFoods' strategy has been to produce inexpensive products that are widely available. This "production" marketing orientation emphasizes high production efficiency, low costs, and mass distribution. Grace has a hunch that the shift she has observed in marketing orientation may have something to do with CrunchPops' slipping sales. She thinks about what to do next.

What might Grace do next?

- Experiment with a societal marketing orientation, by emphasizing CrunchPops' health benefits and environmental responsibility

Correct choice.

It appears that consumers are beginning to demand more socially and environmentally responsible products. Grace should experiment with *societal* marketing to see whether CrunchPops' sales pick up. Though all marketing orientations have merit, companies need to be flexible about their marketing orientation. To stay current with major shifts in the competitive environment and continue meeting consumers' needs, a company may need to shift its marketing orientation occasionally.

- Stick to the tried-and-true production orientation, since consumers have long associated TopFoods products with affordability and availability

Not the best choice.

During times of fundamental market change, sticking to a particular marketing orientation may prevent a product from competing well. In this case, it appears that consumers may be demanding more socially and environmentally responsible products. To meet this demand, Grace should experiment with switching from a production to a societal marketing orientation. For example, she could emphasize CrunchPops' health benefits or, if the product uses recycled packaging, its environmental benefits.

- Adopt more of a selling orientation, using a battery of promotions and more aggressive selling techniques to revive sales of the product and increase brand awareness

Not the best choice.

A selling marketing orientation may work well in some circumstances and for some companies. But switching to this approach would not be Grace's smartest move, considering the

results she has obtained in her market research. Instead, Grace should experiment with adopting a societal marketing orientation in her management of CrunchPops, to satisfy what appears to be greater consumer demand for socially and environmentally responsible products.

Scenario: Part 3

Part 3

Grace decides to experiment with emphasizing the health and environmental benefits of CrunchPops. She works with other departments to create compelling new ads and packaging that emphasize the product's health and environmental benefits. The campaign proves mildly successful. Sales do pick up, but not as much as she had hoped.

Grace considers additional ways to revive the brand. She has heard that relationship marketing can enable companies to build stronger, more profitable bonds with their target customers. This approach involves getting to know customers one-on-one and customizing offerings to better serve their needs. Grace considers several alternatives.

Which relationship marketing technique might be most effective?

- Invite target customers to participate in product discussion groups on the company's Web site to gather information about their preferences

Not the best choice.

Though it's valuable to gather detailed information about target customers, companies should provide something in return for that information. Otherwise, consumers see relationship marketing as a "one-way street" that only benefits companies. If Grace invites consumers to participate in product discussion groups, she should offer a small gift in return—such as "kid-size" cereal bowl for those who take the time to participate.

- Pay target customers to be videotaped as they prepare and eat CrunchPops to see how they use the product

Correct choice.

This technique (used with permission) can give companies an "up close and personal" view of "a day in the life of a customer"—and reveal much about consumer habits, opinions, and preferences. Like any relationship, your bond with your customers should be built on mutual trust and respect. With any technique designed to help you get to know consumers one-on-one, always offer

participants something in return for their contribution. Also, use your new knowledge about your target customers to *genuinely* keep their best interests in mind. Otherwise, customers may end up feeling that you're merely trying to profit from them without holding up your end of the relationship.

- Develop numerous variations of CrunchPops to serve different customer preferences, such as "high-nutrition," "stay-crunchy-longer," "all-natural," and "fun colors"

Not the best choice.

One of the biggest complaints consumers have about relationship marketing is that companies offer too many product options. (A toothpaste brand was once offered in 55 different variations!) In considering whether to offer CrunchPops variations, Grace should think carefully about how many versions would be best. By offering too many, she could end up overwhelming or confusing customers.

Scenario: Conclusion

Conclusion

Grace investigates how customers use the product— and finds that many customers combine CrunchPops with plain yogurt to add sweetness and texture to the yogurt. Grace incorporates this idea into future packaging—and arranges joint ads with a yogurt company known for its natural ingredients. New market research shows that consumers have begun to associate CrunchPops with good health— and sales begin to reflect this change.

Marketing is a highly complex function in any company. To contribute to your company's marketing efforts—whether you work in marketing or not—it's helpful to understand the advantages and disadvantages of the various marketing orientations, what goes into a comprehensive marketing plan, and how to get closer to your target customers to better serve their needs.

Check Your Knowledge: Question 1

Marketing is:

- The process of comparing competitors' offerings against your own company's products and services, defining your offerings' unique characteristics, and communicating those characteristics to customers through compelling advertisements

Not the best choice.

Marketing efforts may include competitor analysis, but the accurate definition of marketing comprises much more. Experts define marketing as the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individuals' and companies' goals.

- The process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individuals' and a company's goals

Correct choice.

All marketing efforts need to include decisions about products (which include ideas, goods, and services), price, promotion, and place (distribution). Moreover, successful marketing efforts take into account both consumers' and the company's goals. Finally, marketing consists of both planning and implementation.

- The process of identifying and designing cutting-edge product features that will keep your company's offerings ahead of competitors', testing the features' functionality to ensure reliability, and constantly updating product lines to incorporate the best new features

Not the best choice.

Marketing efforts may include innovation of product features, but the accurate definition of marketing comprises much more. Experts define marketing as the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individuals' and companies' goals.

Check Your Knowledge: Question 2

Which of the following best defines a marketing orientation?

- Everyone in the organization is constantly thinking about what the company's customers want and how the firm can satisfy those desires better than its rivals can, in ways that generate the company's desired financial returns.

Correct choice.

A true marketing orientation means that all employees in an organization consider marketing part of their job. Whether they're working at the executive, front-line, or administrative level, in the accounting department, on the shop floor, or in human resources, all employees can learn how their daily actions affect the firm's ability to meet customers' needs effectively. Armed with this knowledge, they can continually identify and leverage opportunities to help the company better meet those needs.

- All the members of a firm's marketing department stay as current as possible on the latest marketing theory and technologies through frequent in-house or off-site training, coaching by marketing consultants, and other educational opportunities.

Not the best choice.

The ongoing professionalization of a firm's marketing department may be important parts of marketing, but a true marketing orientation means much more. In companies that embody this

orientation, everyone in the firm is constantly thinking about what the company's customers want and how the organization can satisfy those desires better than its rivals can, in ways that generate the company's desired financial returns.

- Based on the assumption that consumers favor products and services that offer the most quality, performance, or innovative features, companies focus their efforts on constantly designing and improving superior offerings.

Not the best choice.

The effort to constantly create superior offerings may be an important part of marketing, but a true marketing orientation means much more. In companies that embody this orientation, everyone in the firm is constantly thinking about what the company's customers want and how the organization can satisfy those desires better than its rivals can, in ways that generate the company's desired financial returns.

Check Your Knowledge: Question 3

To analyze market opportunities, which two questions should your firm ask *first*?

- Who are our potential customers? And how much discretionary income are they willing to spend on our offerings?

Not the best choice.

Though identifying potential customers and assessing their discretionary income can be helpful, it's not the *first* thing you should do to take advantage of market opportunities. Instead, you need to first identify your firm's target customers (individual consumer groups or organizations that would most benefit from your offerings) and then clarify in your own mind why they should buy your firm's products or services instead of your competitors'. Analyzing market opportunities thus entails extensive understanding of target customers' needs and decision-making processes, as well as a thorough assessment of your competition.

- What are our best-selling products? And how can we improve them so as to attract new customers?

Not the best choice.

Though identifying and improving best-selling products is valuable, it's not the *first* thing you should do to take advantage of market opportunities. Instead, you need to first identify your firm's target customers (individual consumer groups or organizations that would most benefit from your offerings) and then clarify in your own mind why they should buy your firm's products or services instead of your competitors'. Analyzing market opportunities thus entails extensive understanding of target customers' needs and decision-making processes, as well as a thorough assessment of your competition.

- Who are our target customers? And why should they buy our product instead of our competitors'?

Correct choice.

By identifying your target customers (the individual consumers or organizations that would most benefit from your firm's products or services) and your offerings' advantages over your competitors', you can design more focused, effective marketing programs. These programs will enable you to communicate your products' key benefits specifically to those people or organizations most likely to be interested in them.

Check Your Knowledge: Question 4

As communications advances connect sellers and buyers as never before, consumers are finding it easier than ever to compare prices. That makes setting prices increasingly complicated for marketers. Which of the following constitutes an example of an effective pricing strategy?

- Peg price to your firm's costs rather than target revenues

Not the best choice.

You should actually peg price to your company's target revenues rather than costs. Experts suggest the following additional strategies for setting price: (1) Revise price often to capitalize on market changes, (2) integrate your pricing strategy with the other three Ps (product, place, and promotion), and (3) vary price enough to accommodate different products, market segments, and purchase situations.

- Revise price often enough to capitalize on market changes

Correct choice.

Of all four marketing-mix elements (product, price, place, and promotion), price is the easiest to change. And experts recommend revising price often to capitalize on market changes. Additional effective pricing strategies include pegging price to your firm's desired revenues rather than its costs, integrating your pricing strategy with the other three Ps, and varying price enough to accommodate different products, market segments, and purchase situations.

- Charge the same price for all market segments to avoid customer complaints

Not the best choice.

Instead of charging the same price for all market segments, experts suggest varying price enough to accommodate different products, market segments, and purchase situations. Additional suggestions include revising price often to capitalize on market changes, pegging price to your firm's desired revenues rather than costs, and integrating your pricing strategy with the other three Ps (product, place, and promotion).

Check Your Knowledge: Question 5

Why should your firm continually generate new products and services or improvements to existing offerings?

- Consumer attitudes toward existing products can change quickly and unexpectedly, most products eventually become outdated, and your competitors are always looking for ways to offer more attractive deals to customers.

Correct choice.

The need to constantly generate new offerings stems from three sources: changing consumer attitudes, the nature of product life cycles, and the actions of your competitors.

- Over time, older, established products and services become increasingly more expensive to market and (in the case of products) to manufacture. In addition, the cost of servicing customers who have purchased existing products rises.

Not the best choice.

While understanding the costs associated with selling and servicing older products is important, the need to constantly generate new offerings actually stems from three sources: changes in customer attitudes toward existing offerings, the fact that most products have a natural life cycle (that is, they eventually become outdated), and competitors' actions (they're always looking for new ways to attract your customers).

- Product and service design technologies are constantly advancing. If your firm doesn't take advantage of these changes by generating new offerings, your most sophisticated customers may view you as behind the times.

Not the best choice.

While keeping up with new technologies is important, the need to constantly generate new offerings actually stems from three sources: changes in customer attitudes toward existing offerings, the fact that most products have a natural life cycle (that is, they eventually become outdated), and competitors' actions (they're always looking for new ways to attract your customers).

Check Your Knowledge: Question 6

Which of the following are *not* potential elements of a brand?

- A name or term

Not the best choice.

A name or term actually *does* constitute a potential element of a brand. Brands may consist of a name, term, sign, symbol, design—or any combination of these—that instantly identifies your firm's offering and differentiates it from those of competitors.

A well-executed brand creates a strong brand image, or consumer perception of what your product or company stands for. In customers' minds, a brand's meaning can take many different forms; for example, attributes ("This car is durable"), benefits ("With such a durable car, I won't have to buy another car for years"), values ("This company certainly emphasizes high performance"), and personality ("This car really shows off my stylish side").

- A symbol or design

Not the best choice.

A symbol or sign actually *does* constitute a potential element of a brand. Brands may consist of a name, term, sign, symbol, design—or any combination of these—that instantly identifies your firm's offering and differentiates it from those of competitors.

A well-executed brand creates a strong brand image, or consumer perception of what your product or company stands for. In customers' minds, a brand's meaning can take many different forms; for example, attributes ("This car is durable"), benefits ("With such a durable car, I won't have to buy another car for years"), values ("This company certainly emphasizes high performance"), and personality ("This car really shows off my stylish side").

- A list of product ingredients

Correct choice.

Brands may consist of a name, term, sign, symbol, design—or any combination of these—that instantly identifies your firm's offering and differentiates it from those of competitors. Thus a list of product ingredients does not constitute a potential element of a brand.

A well-executed brand creates a strong brand image, or consumer perception of what your product or company stands for. In customers' minds, a brand's meaning can take many different forms; for example, attributes ("This car is durable"), benefits ("With such a durable car, I won't have to buy another car for years"), values ("This company certainly emphasizes high performance"), and personality ("This car really shows off my stylish side").

Check Your Knowledge: Question 7

Direct marketing means:

- Presenting your products or services to customers through agents or representatives who demonstrate your offerings in customers' homes or offices

Not the best choice.

Direct marketing actually means selling your products or services to customers without the use of intermediaries such as wholesalers, retailers, or agents. You can engage in direct marketing through traditional means (such as printed, mailed marketing pieces; radio or TV broadcasts; telemarketing; and faxes) or through newer media (such as e-mail, the Internet, and online marketing services).

- Selling your products or services to customers without the use of intermediaries such as wholesalers, retailers, or agents

Correct choice.

You can engage in direct marketing through traditional means (such as printed, mailed marketing pieces; radio or TV broadcasts; telemarketing; and faxes) or through newer media (such as e-

mail, the Internet, and online marketing services). But regardless of which media you use, direct marketing means selling to customers without the use of intermediaries.

- Observing customers as they use actual products or services in realistic settings during everyday routines

Not the best choice.

Observing customers as they use products or services is a form of market research, not direct marketing. Direct marketing means selling your products or services to customers without the use of intermediaries such as wholesalers, retailers, or agents. You can engage in direct marketing through traditional means (such as printed, mailed marketing pieces; radio or TV broadcasts; telemarketing; and faxes) or through newer media (such as e-mail, the Internet, and online marketing services).

Check Your Knowledge: Question 8

Relationship marketing means:

- Learning about customers' purchasing behavior, preferences, concerns and complaints, lifestyles, and demographic characteristics, and then customizing your offerings to meet these customers' changing needs

Correct choice.

At its heart, relationship marketing entails getting to know the individual consumers who make up narrower and narrower market segments, and then shaping your products and services to meet those customers' specific and changing needs.

- Using market research to discover your customers' thoughts about how your multiple product lines relate to one another; that is, how the different lines compare and contrast in terms of consumer benefits, pricing, and other characteristics

Not the best choice.

Though researching customers' perceptions about how your product lines relate to one another can be useful, it's not relationship marketing. Relationship marketing means learning about customers' purchasing behavior and histories, preferences, concerns and complaints, lifestyles, and demographic characteristics, and then customizing your offerings to constantly meet these customers' changing needs.

- Building mutually beneficial relationships with new customers by offering them special discounts or sales promotions, as well as giving them opportunities to evaluate and buy new products before other customers can do so

Not the best choice.

Though offering customers special deals can be useful, it's not relationship marketing. Relationship marketing means learning about customers' purchasing behavior and histories, preferences, concerns and complaints, lifestyles, and demographic characteristics, and then customizing your offerings to constantly meet these customers' changing needs.

Check Your Knowledge: Question 9

Which of the following is *not* an illustration of the benefits of relationship marketing?

- Owing to the customer loyalty that relationship marketing lets you build, customers generate greater profits every year because they buy more and more and they tend to spend increasing amounts of money over time.

Not the best choice.

Increased customer loyalty actually *is* a key benefit of relationship marketing. Loyal customers are more profitable because they buy more and more from you, and they spend increasing amounts each time. At the same time, the costs of serving them (entering them in your database, learning their preferences, processing information about them) get spread out over time, thereby decreasing with every purchase a customer makes. The major benefit to relationship marketing is thus customer longevity.

- Relationship marketing lets your company predict precisely when any customer will defect to one of your competitors. Thus, you can use that information to design sales promotions and other appeals aimed at retaining such customers.

Correct choice.

The ability to predict precisely when a customer will defect to a competitor is actually *not* something you gain through relationship marketing. Rather, relationship marketing lets you build close, loyal bonds with target customers. Loyal customers become more profitable because they buy more and more from you, spending increasing amounts each time. At the same time, the costs of serving them (entering them in your database, learning their preferences) get spread out over time, thereby decreasing with every purchase a customer makes. The key benefit to relationship marketing is thus customer longevity.

- The costs associated with serving the loyal target customers you acquire through relationship marketing get spread out over time. Thus, those costs decrease with every purchase each customer makes.

Not the best choice.

Decreasing costs of serving customers actually *is* a key benefit of relationship marketing. Loyal customers buy more and more from you. At the same time, the costs of serving them (entering them in your database, learning their preferences, processing information about them) get spread out over time, thereby decreasing with every purchase a customer makes.

Check Your Knowledge: Question 10

Which of the following best describes a product's life cycle?

- Product introduction, rising sales and profits, and plateauing sales and profits upon an increase in competition

Not the best choice.

A product's natural life cycle actually consists of product introduction, rising sales and profits, peaking sales and profits, and decline of sales and profits. These four phases of the product life cycle are also known as introduction, growth, maturity, and decline. During the introduction phase, the product generates low sales and profits, thus attracting few competitors. During the growth phase, sales and profits rise, attracting more and more competitors. During the maturity phase, sales and profits peak, and the number of competitors remains stable or declines. And during decline, sales and profits decrease, along with the number of competitors.

- Product introduction, repeated rising and falling of product sales and profits, and plateauing of sales and profits upon market saturation

Not the best choice.

A product's natural life cycle actually consists of product introduction, rising sales and profits, peaking sales and profits, and decline of sales and profits. These four phases of the product life cycle are also known as introduction, growth, maturity, and decline. During the introduction phase, the product generates low sales and profits, thus attracting few competitors. During the growth phase, sales and profits rise, attracting more and more competitors. During the maturity phase, sales and profits peak, and the number of competitors remains stable or declines. And during decline, sales and profits decrease, along with the number of competitors.

- Product introduction, rising sales and profits, peaking sales and profits, and decline of sales and profits

Correct choice.

These four phases of the product life cycle are also known as product introduction, growth, maturity, and decline. During the introduction phase, the product generates low sales and profits, thus attracting few competitors. During the growth phase, sales and profits rise, attracting more and more competitors. During the maturity phase, sales and profits peak, and the number of competitors remains stable or declines. And during decline, sales and profits decrease, along with the number of competitors.

Check Your Knowledge: Results

Your score:

Steps for market research

1. Define the marketing opportunity you will focus on.

Create a specific question about a marketing opportunity that you want to explore.

For example, suppose you work for an automobile maker, and your supervisor wants to explore the potential benefits of providing global positioning system (GPS) navigation devices in its cars. A specific question you might ask: "Will offering such a device create enough incremental preference and profit for our company to justify its cost against other possible investments?"

2. Establish your research objectives in exploring the opportunity you identified.

Decide what kinds of information you'll need to gather to evaluate the market opportunity. Again, asking the right questions can lead you to a clearer understanding of your research objectives.

For example, a series of questions will help you prepare your market-research plan. In this case, you might ask:

- "In what way would GPS add value for our customers?"
- "What kinds of customers would be most likely to use such a device?"
- "How large might the target market be?"
- "What are our competitors offering?"
- "What share of the target market could we expect to gain?"
- "How might different price points affect the sales of cars with the device?"
- "How will offering this device affect our brand image?"
- "How important is a GPS device relative to offering other kinds of improvements to our product, such as safety features?"

3. Develop your market-research plan.

Make decisions on the following market-research aspects:

- **Data sources.** You can gather *primary* data (gathered for a specific purpose or project) or *secondary* data (collected for another purpose and already existing somewhere, such as a prospect database).
- **Research categories and techniques.** You can choose among various research tools, but be careful to choose the most effective technique to fulfill your objectives.
 - Qualitative research: such as focus groups (bringing potential customers together to talk about the concept)
 - Quantitative research: such as surveys (mail, telephone, online, and so on) intended to count or measure
 - Causal research: such as test marketing the GPS at different price levels
- **Research instruments.** Select from questionnaires or mechanical devices; for example, an infrared eye-tracking system can reveal how consumers view GPS screens (where their glance lands first, how long it lingers, and so on).
- **Sampling plan.** Decide whom you'll contact as research respondents, how many, and how you'll choose them.
- **Customer-contact methods.** Choices include mail, telephone, personal contact, or online interviews. Each method has its advantages and disadvantages.

For instance, mailed questionnaires usually generate low or slow response rates but may help you reach people who normally would not feel comfortable giving personal interviews.

4. Implement your market-research plan.

- Respondents who aren't home must be recontacted or replaced.

- Some respondents won't cooperate as you had hoped.
- Some respondents may give biased or dishonest answers because they feel pressure to provide opinions or viewpoints that they think you want to receive.
- Some interviewers may be biased or dishonest in the way they deliver the questions to respondents, because they themselves are hoping to receive particular opinions or viewpoints from potential customers.

Collecting the information can be both rewarding and frustrating. Prepare to run into some of these problems:

By being aware of these problems and being willing to analyze data with a critical eye, you can help reduce the likelihood or potential bias of these problems.

5. Analyze the information.

Tabulate the data you gathered and then apply various statistical techniques and decision models to analyze the results. Marketing-decision-support systems—coordinated collections of data, systems, tools, techniques, and software—can help. These resources may include statistical tools such as multiple regression and conjoint analysis, game theory, and heuristics.

6. Present your findings.

Present the major findings that are relevant to making the key marketing decisions facing you or your company.

For example, your report may be as brief and cogent as the following statements:

- "Drivers mainly envision using in-car GPS devices during emergencies; specifically, if they get lost."
- "In the United States, about 30 drivers in 100 would buy a GPS device as an in-car option if the device cost \$300. About 15 in 100 would buy one if the device cost \$400. Thus pricing the device at \$300 would yield more revenue (\$9,000) than pricing it at \$400 (\$6,000)."
- "An international market in areas where maps are not as readily available as in the United States presents our greatest opportunity for GPS."

Tips for building a marketing orientation

- Persuade all employees of the need to be customer-focused. Show employees that the best thing they can do for the company and themselves is to constantly think of new ways to satisfy the firm's most profitable customers.
- Design the right rewards. Ensure that your group's performance-measurement and reward systems encourage behavior that builds long-term customer satisfaction.
- Hire strong marketing talent. Hire and retain people with substantial marketing experience and skills.
- Suggest—or develop—in-house marketing-training programs. Such programs will highlight the importance of a marketing orientation to your firm.
- Support efforts to restructure the company as a market-centered organization. The end result—a truly companywide marketing orientation—will position your firm for vital new achievements.

Tips for creating an effective print ad

- Clarify the purpose of the ad. An ad's purpose drives its format and content.
- Get consumers' attention. Remember: the average consumer scans an ad in just four seconds. Make your ad as eye-catching as possible.
- State the product's or service's benefit for consumers. Your ad should clearly answer the consumer's basic question: "What's in it for me?"
- Give consumers a reason to act now. Use language such as "Sale ends Saturday" to create a sense of urgency.
- Use ad copy to your advantage. The best copy has a conversational tone; appeals to consumers' interests or concerns; and is short, positive, clear, and complete.
- Use design to your advantage. The best designs are fresh, appealing, uncomplicated, uncluttered, and practical. The ad's look and feel should support and enhance the brand image and message.
- Follow useful type-treatment guidelines. Avoid using too many different type sizes and styles.

Tips for designing a powerful sales promotion

- Use sales promotions *with* advertising.

For example, combine a price promotion with an ad emphasizing the product's features or with a point-of-purchase display. Or if you're marketing to businesses through trade shows or conventions, combine poster ads with sales-rep selling contests to get the most impact.

- Be clear about your objectives. Your goals for sales promotions will vary with your target market. If you're targeting retailers, persuade them to carry your company's new offerings, to stock more inventory, to encourage off-season buying, or to offset competitive promotions.
- Choose the appropriate promotion tools. Depending on your objectives, select the right tools. For salespeople, launch sales contests—with prizes to the winners. If you're marketing to businesses through trade shows or conventions, use publications, videos, and other audiovisual materials to generate new sales leads, meet new customers face to face, sell more to existing customers, and educate customers.
- Use sales promotions in markets of high brand *dissimilarity*. Sales promotions tend to attract brand switchers who look primarily for low price, good value, or premiums. You'll get more—and longer-lasting—market share if you use such incentives in markets of high brand dissimilarity.
- Distinguish between *price promotions* and *added-value promotions*. Sales promotions, with their incessant prices off, coupons, deals, and premiums, can devalue the product offering in consumers' minds. Make sure your promotions enhance your brand image.
- Pretest your sales promotion program. Use pretests (small trial runs) to determine whether the promotional tools you've chosen are appropriate, the incentive size will produce enough sales response without costing the company too much, and the presentation is efficient.

Tips for evaluating sales representatives

- Analyze salespeople's annual territory marketing plans. This report puts sales reps into the role of marketing managers and profit centers. Managers can study these plans, make suggestions, and use the plans to develop sales quotas.
- Review other reporting documents from sales reps. Reports such as sales calls, expenses, new business, and lost business, can be used as raw data, from which you can extract key indicators of sales performance.
- Compare sales reps' current performance with their past performance and company averages.
- Assess performance along more subjective dimensions.

For example, take stock of a sales rep's knowledge of the firm, products, customers, competitors, territory, and responsibilities.

- Gauge sales reps' professionalism. Determine whether a sales rep has a customer-oriented approach. Does he or she maintain a professional connection with the customer even after a sale?
- Assess negotiation skills. Effective salespeople need to work with customers to reach agreement on price and other terms of sales without making concessions that will hurt your company's profitability.
- Assess ability to build long-term relationships with customers. Effective sales reps demonstrate that their company has the desire and ability to serve a customers' needs in a superior way over the long run.

Tips for marketing online

- Follow standards for online ads. If you decide to post an ad on the Internet, request ad requirements from the company that's selling the ad space *before* designing your ad.
- Use the Web as a direct-response tool. When designing a direct-response ad for the Web, make it easy for the respondent to reach you—through a click-on button, e-mail, phone, fax, and so on.
- Look for ad-space bargains. Consider hiring an ad agency or media-buying shop that can help you in your search.
- Don't forget to *try* to make a sale through a Web ad. Give consumers this option!
- Make your own Web site irresistible and easy to use.
- Don't forget basic spelling, punctuation, grammar, and editorial standards.

Tips for selecting the right marketing communications mix

- Gauge consumer readiness—and adapt your communications tools accordingly.
- Depending on how ready consumers are to respond to your marketing communications, select the right communication tools for each readiness stage.
- Tie your choice of communications tools to your product's life-cycle stage. Advertising and publicity, for example, will get you the biggest payoff in the introduction stage of a product.
- Tie your choice of tools to your company rank in the market. Market leaders derive more benefit from advertising than they do from sales promotion. Conversely, smaller competitors gain more by using sales promotion.
- Adapt your communications mix to the product market you're targeting.

For example, personal selling can persuade retailers or dealers to buy more stock and display more product, and it boosts dealers' enthusiasm for the product and your company.

- Distinguish between "push" versus "pull" strategies.

For example, push strategies can be effective when customers have low brand loyalty, whereas pull strategies are effective when customers have high brand loyalty.

Worksheet for calculating the lifetime value of a customer

Worksheet for Calculating the Lifetime Value of a Customer

Use this worksheet to calculate the Lifetime Value of one of your customers.

Customer name: _____

Basic Formula

Estimate # of customer transactions in lifetime		Number of purchases per visit		Average price per purchase (\$)		Cost to acquire a customer (\$)		Lifetime Value of a Customer (\$)
	X		X		-		=	

Projected Formula, 5 Year Period

	Revenue <i>(Include gross revenue generated)</i>		Cost <i>(Calculate costs to service this customer, including marketing, and costs of mailing and delivering product or service)</i>		Referrals <i>(Add net value of referred accounts)</i>		Profit (\$)
Year 1		-		+		=	
Year 2		-		+		=	
Year 3		-		+		=	
Year 4		-		+		=	
Year 5		-		+		=	
TOTAL:							

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Customer value equation worksheet

<i>Customer Value Equation Worksheet</i>	
<p><i>Use this worksheet to think through what your customers value, which you can think of as an equation. The service value as determined by the customer is equal to the results received times how the service is delivered, in relation to the price of the service times any costs for acquiring the service. The values in the equation are relative, since different customers often want different things, or the same customer may want different things at different times. For example, you may value convenience and the opportunity to save time more in one situation, or price in another. Think through how you can leverage the factors in this equation to add value to the customer, and enhance your business.</i></p>	
<p>What Customers Value Fill in this equation with descriptions of what your customers value. You do not have to use a specific dollar amount in the price category, but could use descriptive terms such as high, low, competitive pricing, every day low-price (EDLP), premium, discounted, and so forth.</p>	
<p style="text-align: center;">RESULTS</p> <p style="text-align: center;"><i>What results do your customers want?</i></p> <div style="border: 1px solid black; height: 50px; margin: 10px 0;"></div>	<p style="text-align: center;">DELIVERY/PROCESS QUALITY</p> <p style="text-align: center;"><i>How do they want the results delivered?</i></p> <div style="border: 1px solid black; height: 50px; margin: 10px 0;"></div>
<p>X</p>	
<p><i>Look at the above in relationship to the factors below.</i></p>	
<p style="text-align: center;">PRICE</p> <p style="text-align: center;"><i>What price are they willing to pay for the product or service?</i></p> <div style="border: 1px solid black; height: 50px; margin: 10px 0;"></div>	<p style="text-align: center;">ACCESS COSTS</p> <p style="text-align: center;"><i>What costs are they willing to incur to get the product or service?</i></p> <div style="border: 1px solid black; height: 50px; margin: 10px 0;"></div>
<p>X</p>	
<p>Value Summary</p> <p>What are the key customer value equations most prevalent in your business?</p> <div style="border: 1px solid black; height: 30px; margin: 5px 0;"></div> <p>What factors or situations could affect these equations? What ones can you alter or control?</p> <div style="border: 1px solid black; height: 30px; margin: 5px 0;"></div> <p>How can you leverage these factors to increase the value of your service (or product) to the customer? For example, increase convenience while keeping price the same.</p> <div style="border: 1px solid black; height: 30px; margin: 5px 0;"></div>	

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Worksheet for conducting a SWOT analysis

<i>Worksheet for Conducting a SWOT Analysis</i>	
Use a SWOT analysis to identify the strengths, weaknesses, opportunities, or threats relative to a product, product line, marketing program, or even a whole company. The SWOT analysis lets you focus on specific areas and discover actions that can help build on strengths, minimize or eliminate weaknesses, maximize opportunities, and deal with or overcome threats.	
Date of analysis: _____	
Name of item to be analyzed: _____ <i>For example, the Fall Back-to-School Marketing Program</i>	
Internal Analysis <i>List items inherent to the item to be analyzed, such as positive results of a marketing program.</i>	
Strengths	Ideas for building upon these strengths
Weaknesses	Ideas for minimizing or strengthening these weaknesses
External Analysis <i>List items or factors outside of the item to be analyzed, such as external marketplace factors.</i>	
Opportunities	Ideas for investigating or taking advantage of these opportunities
Threats	Ideas for minimizing or overcoming these threats

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Product profile worksheet

<i>Product Profile Worksheet</i>	
Use this form to capture essential planning and control information on a product. You can adapt categories to fit a service or program offering.	
Product Name: _____	Date of Launch: _____
Product Number: _____	Current Version: _____
Product Manager: _____	Product Line: _____
Phase in Product Life Cycle: (check the one that applies most closely)	
<input type="checkbox"/> New Product	<input type="checkbox"/> Growth Phase
<input type="checkbox"/> Mature Phase	<input type="checkbox"/> Decline Phase
Manufacturing, Assembly, or Development Site	
Product Positioning	
Target Market(s) or Segments	
Key Product Features	Key Product Benefits
1. _____	1. _____
2. _____	2. _____
3. _____	3. _____

Unique Selling Point				
Pricing Strategy (Consider cost, competition, customers' demand, and perceived value)				
<input type="checkbox"/> Penetration	<input type="checkbox"/> Premium	<input type="checkbox"/> Going Rate in Marketplace	<input type="checkbox"/> Other	
<input type="checkbox"/> Cost Plus	<input type="checkbox"/> Target-Return	<input type="checkbox"/> Promotional		
<input type="checkbox"/> Perceived Value	<input type="checkbox"/> Value	<input type="checkbox"/> Markup		
Cost per Unit: _____		Average Selling Price per Unit: _____		
Break-even Point: _____		Target Margin: _____		
Key Competitors		Average Selling Price	Marketing Strategy	
1. _____		_____	_____	
2. _____		_____	_____	
3. _____		_____	_____	
4. _____		_____	_____	
5. _____		_____	_____	
Market Demand for Product				
Distribution Channel	Projected Annual Dollar Revenue	% of Total Revenue	Year to Date Revenue	% Change
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Current Market Share: _____		Last Year: _____		% Increase or Decrease: _____
Marketing Objective				
Promotional Strategy				
Media Plan:				
Ad Agency name: _____		Contact Information: _____		
Account Executive: _____		_____		
Publicity Strategy:				
Publicity Manager: _____		Contact Information: _____		
_____		_____		
Up sell/Cross sell Opportunities:				
Special Offers:				

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Form for drafting a marketing plan

<i>Form for Drafting a Marketing Plan</i>	
<i>This form is an abbreviated version of a marketing plan that you can add to or adapt to fit your needs.</i>	
Product Name: _____	Fiscal Year: _____
Date of Plan: _____	Marketing Manager(s): _____
Contributors to the Plan: _____	Contact Information: _____
Approved by: _____	Approval Date: _____
Market Review	
List Key Market Factors (Describe the market in terms of size, growth, segments, geographic factors, and so forth.)	
Describe the Industry Climate/Significant New Trends (For example, what is the current economic condition of this industry? What new trends are emerging?)	

Competitive Environment		
Key Competitors	Market Share	Offering Price
1.		
2.		
3.		
4.		

The Product

Prior Year Revenue, Actual vs. Forecast

This Year Revenue Forecast (by distribution channel, if indicated)

Product Status

☐ New Product? ☐ Enhanced Product? Launch Date: _____

Features	Benefits
1.	
2.	
3.	
4.	
5.	

Product Positioning (Note if prior positioning was effective or needs to be reconsidered.)

Product Differentiator, Unique Selling Point, or Competitive Advantage

The Customer

Relevant Customer or User Demographics
(What is the typical user profile(s)? Where are they located and how do you reach them?)

Buyer Behavior (Why do people buy your product? What needs does it meet? Is it a planned or impulse purchase? How does price figure into their purchase?)

Distribution Channels

Market Research Plan or Usability Testing

	What	When	Results
Prior			
Planned			

Opportunity Analysis (See also the SWOT tool)

Based upon an analysis of the product or service's inherent strengths, weaknesses, external opportunities, and threats, what are the major opportunities and issues facing the product and/or brand?

Financial Objectives

Marketing Objectives

Marketing Strategy

Marketing Tactics or Action Programs

Program	Scheduled date(s)	Estimated Cost
Advertising Media		
Merchandising		
Publicity		
Trade Shows/Exhibits		
Web Marketing		
Promotions		

DEPENDENCIES		
Sales Incentives		
Sales Support Materials		
Dealer Incentives or Terms		
Special Offers		
Up sell/Cross sell		
Pricing Strategy		
Other:		
Measures of Success (Specify the expected results that signal success; for example, a 3 percent click through rate on an e-mail campaign.)		
Projected Profit and Loss (See also the Pro Forma tool in Harvard Management Finance Essentials topic.)		
Revenue	Costs	Margin
Controls (For example, when will progress toward goals be reviewed and by whom? Is there a contingency plan if actual results deviate from projections?)		

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Why Develop Others?

“At the end of the day, you bet on people, not strategies.”

Larry Bossidy

Former CEO, AlliedSignal

In today's global business environment, markets and regulations change quickly. Competitors constantly innovate. Technological changes are the norm.

In order to outmaneuver the competition and meet the demands of the moment, organizations must be agile. They must execute flawlessly. And they must transform themselves continuously.

Are your leaders ready?

Dr. Noel M. Tichy

Professor

University of Michigan Ross School of Business

We have now entered an era where I don't care what industry you're in, you need leaders who can make decisions, make judgment calls at every single level. All the way down to the interface with the customer.

If you go to a company like Google or any of the high tech companies, a lot of the innovation that Amazon does is happening right at the front line. Go ahead, try it, put it out there, we'll learn from it. That cannot happen if the senior leadership doesn't have a commitment to both develop the leadership capability, but develop the business through engaging people at all levels of the organization.

Becoming a teaching organization

I like to tell parents that they cannot delegate their responsibility to develop their children. And I think it is the same in an organization. Day in and day out the person that has the biggest impact on people in the organization is the next level above and the associates around and

below. And so to build a learning organization I say is not enough. Learning could be, you know we are learning cooking, we are learning this or that, but teaching organizations, when I learned something, I have a responsibility to teach my colleagues.

So everybody takes responsibility for generating new knowledge and it is not enough to be a learner, you then have to translate it into teaching.

The Virtuous Teaching Cycle

The role of a leader is to ensure that the people who work for them and around them are better every day. There's only one way to make people better. It's to teach them, learn from them, create what I call "virtuous teaching cycles", not command and control.

A virtuous teaching cycle is teach learn, teach learn. And the leader has a responsibility for reducing the hierarchy, for having a point of view to start the discussion, but then to be responsible to hear everyone's voice, get everyone involved in a disciplined way. It is not a free for all. But it is the leader's responsibility to create that virtuous teaching cycle.

A wonderful example of virtuous teaching cycle is the program that Roger Enrico ran at Pepsi, where every one of the 10 vice presidents comes with a business project.

Roger Enrico gets smarter as result of five days with 10 vice presidents, because he's learning from them. He needs to lower the hierarchy. He needs to be open to learning. And in turn, the people participating need to be energized and empowered to come up and engage in problem solving.

Another example is at Best Buy, where every morning in the stores you would bring 20 associates or so together and they would review the profit and loss statement from the day before, what we learned from the different customer segments in our stores, what we can do to improve our performance this day. And they do that every single day. The store manager was learning mostly from the associates on the floor.

That was a virtuous teaching cycle where everybody is teaching everybody, everybody is learning and the result has been an incredible result at Best Buy.

"The growth and development of people is the highest calling of leadership."

- Harvey S. Firestone

Founder, Firestone Tire and Rubber Co

There are clear advantages to leader-led development.

But for many leaders, taking on teaching, coaching, and other development responsibilities can seem daunting. You might avoid taking on these roles due to lack of time, resources, or your own lack of comfort with this role.

The following tips and resources can help you impart valuable learning to your team every day.

To develop others...

- Start with a Teachable Point of View

The first requirement of being able to develop other leaders is to have what I call a teachable point of view. I often give the example of, if I ran a tennis camp and you just came to day one of the tennis camp, I better have a teachable point of view on how I teach tennis. So you are standing there looking at me and it has got four elements. One, the ideas, well how do I teach the backhand, the forehand, the serve, rules of tennis. Then if I am a good tennis coach, I have a

set of values. What are the right behaviors I want, how do I want you to dress, how do I want you to behave on the tennis court.

But if that's all I have, what do I do? Show you a power point presentation and then expect you to hit 500 backhands, 500 serves, run around for eight hours. I have to have a teachable point of view on emotional energy. How do I motivate you to buy in to the ideas and values?

On one end of the spectrum it could be I threaten you with corporal punishment, the other I can give you stock options, I can make you feel good about yourself, I can help you develop as a human being, what motivates you.

And then finally, how do I make the tough judgment calls, the yes/no, decisions as the tennis coach, the ball is in, the ball is out. I don't hire consultants and set up a committee, it is yes/no. And the same with running a business, what are the products, services, distribution channels, customer segments that are going to grow top line growth and profitability of the organization.

What are the values that I want everyone in the organization to have, how do I emotionally energize thousands of people, and then how do I make the yes/no, judgments on people and on business issues. So the fundamental building block of being able to develop other leaders is to have that teachable point of view just like the tennis coach.

To develop others...

- Lead with questions

Questions are hugely important because you want to create dialogue and again, what I call a virtuous teaching cycle where the teacher learns from the students and vice versa. Which means everybody ought to be free to ask whatever is on their mind, whatever it will take to get clarity and understanding, but it is not the leader just coming in and freeform asking questions. I believe the leader has a responsibility for framing the discussion, for having as best they can a teachable point of view, they may need help from their people in flushing it out, but they need to set the stage but then it has to be a very interactive, what I call virtuous teaching cycle environment, teach learn, teach learn, teach learn.

To develop others...

- Make it part of your routine

A good example to me of an outstanding leader developing other leaders is Myrtle Potter who at the time I am commenting was Chief Operating Officer of Genentech running the commercial side of the business. And she would take time at the end of every single meeting and do some coaching of the whole team on how we could perform as a team better, and then she would often take individuals and say, could we spend 10 minutes over a cup of coffee, I want to give you some feedback and coaching on that report that you just presented on or how you are handling a particularly difficult human resource issue, but it was part of her regular routine. And I think the challenge for all of us as leaders is to make that a way of life and it is built into the fabric of how we lead and it is not a one off event, three times a year. It is happening almost every day.

To develop others...

- Make it a priority

One of the biggest challenges in getting people kind of on this path is to overcome some of their own resistance, either fear or the way I view the world I don't have time for this, everybody can make time. Roger Enrico is CEO of Pepsi. He didn't have time to go off for a week at a time and run training sessions. He had to readjust his calendar. So it requires you to look in the mirror and

say, is this important. If it is important, of course I can make the time. Then I have to get over my own anxiety on how well I can do it, but it is a commitment to get on the path that says: this is how I am going to drive my own performance and the performance of my colleagues.

To develop others...

- Learn to teach

I think the biggest mistake is to assume you are going to be good at it right off the bat. It is like learning anything else. First time you go out and try and play tennis, good luck. But you got to stay with it and you got to engage your people in helping make you better and them better. And so it is a journey you need to get on, not I am going to do it perfectly when I start out.

If you want to be a great leader who is a great teacher, it's very simple. You have got to dive into the deep end of the pool. But you've got to dive into the pool with preparation. I don't want you drowning. I want you succeeding. It is extraordinarily rewarding for most human beings to teach others. I think once you can turn that switch on, it is self perpetuating. You get a lot of reinforcement, your team is better. You perform better because your performance goes up and it becomes this virtuous teaching cycle.

Your opportunity to develop others

We've heard why developing others can drive greater business results, and how to make the most of your leader-led development efforts. The materials provided in Develop Others enable you to create personalized learning experiences for YOUR team within the flow of their daily activities. Use the guides and projects to engage your team quickly. And to explore how key concepts apply to them in the context of their priorities and goals.

The value of teaching is the performance of the organization is totally dependent on making your people smarter and more aligned every day as the world changes. In the 21st century we are not going to get by with command and control. We are going to have to get by with knowledge creation. The way you create knowledge in an organization is you create these virtuous teaching cycles where you are teaching and learning simultaneously, responding to customer demands and changes, responding to changes in the global environment. My bottom line is if you're not teaching, you're not leading.

A leader's most important role in any organization is making good judgments — well informed, wise decisions about people, strategy and crises that produce the desired outcomes. When a leader shows consistently good judgment, little else matters. When he or she shows poor judgment nothing else matters. In addition to making their own good judgment calls, good leaders develop good judgment among their team members.

Dr. Noel M. Tichy

Professor, University of Michigan Ross School of Business

Dr. Noel M. Tichy is Professor of Management and Organizations, and Director of the Global Business Partnership at the University of Michigan Ross School of Business. The Global Business Partnership links companies and students around the world to develop and engage business leaders to incorporate global citizenship activities, both environmental projects and human capital development, for those at

the bottom of the pyramid. Previously, Noel was head of General Electric's Leadership Center at Crotonville, where he led the transformation to action learning at GE. Between 1985 and 1987, he was Manager of Management Education for GE where he directed its worldwide development efforts at Crotonville. He currently consults widely in both the private and public sectors. He is a senior partner in Action Learning Associates. Noel is author of numerous books and articles, including:

For more information about Noel Tichy, visit <http://www.noeltichy.com>.

Share an Idea

Leaders are in a unique position to recognize the ideas and tools that are most relevant and useful for their teams. If you only have a few minutes, consider sharing an idea or tool from this topic with your team or peers that is relevant and timely to their situation.

For example, consider sending one of the three recommended ideas or tools below to your team with your comments or questions on how the idea or tool can be of value to your organization. By simply sharing the item, you can easily engage others in important conversations and activities relevant to your goals and priorities.

[Tips for building a marketing orientation](#)

[Form for drafting a marketing plan](#)

[Why relationship marketing?](#)

To share an idea, tip, step, or tool with your comments via e-mail, select the EMAIL link in the upper right corner of the page that contains the idea, tip, step, or tool that you wish to share.

Discussion 1: Understanding our competition

Your organization isn't the only one looking at marketing opportunities: Competitors are in the picture, too. That means customers — whether they're consumers or businesses — have choices when deciding who to buy from. And the competition is growing more intense every year.

How can your team members help ensure that customers keep buying from *your* organization and not its rivals? They can deepen their understanding of the competition — including knowing who *all* your organization's existing and potential rivals are, and what strengths and weaknesses they have. Armed with this understanding, they can generate ideas for differentiating your organization's offerings from competitors' in ways meaningful to customers.

Use these resources to lead a discussion with your team about how to understand your organization's competition.

Download resources:

[Discussion Invitation: Understanding Our Competition](#)

[Discussion Guide: Understanding Our Competition](#)

[Discussion Slides: Understanding Our Competition \(optional\)](#)

[Tips for Preparing for and Leading the Discussion](#)

Working through the discussion guide can take up to 45 minutes. If you prefer a shorter 15- or 30-minute session, you may want to focus only on those concepts and activities most relevant to your situation.

Discussion 2: Building a marketing orientation

No matter what function your team serves in the overall organization, it's vital that your group builds a marketing orientation. Team members with this orientation understand who the organization's customers are, what those customers want or need, and how the organization can satisfy customers' needs better than rivals can.

When your team members have a strong marketing orientation, they generate value for customers as well as the enterprise. For example, they may think of new products or services that customers would be willing to pay a premium for. Or they might come up with more efficient ways to serve customers and thus save money for the company.

Use these resources to lead a discussion with your team about how to build a marketing orientation in the group.

Download resources:

[Discussion Invitation: Building a Marketing Orientation](#)

[Discussion Guide: Building a Marketing Orientation](#)

[Discussion Slides: Building a Marketing Orientation \(optional\)](#)

[Tips for Preparing for and Leading the Discussion](#)

Working through the discussion guide can take up to 45 minutes. If you prefer a shorter 15- or 30-minute session, you may want to focus only on those concepts and activities most relevant to your situation.

Start a Group Project

Just like any change effort, successfully incorporating new skills and behaviors into one's daily activities and habits takes time and effort. After reviewing or discussing the concepts in this topic, your direct reports will still need your support to fully apply new concepts and skills. They will need to overcome a variety of barriers including a lack of time, lack of confidence, and a fear of making mistakes. They will also need opportunities to hone their skills and break old habits. To help ensure their success, you can provide safe opportunities for individuals and your team as a whole to practice and experiment with new skills and behaviors on the job.

For example, to encourage the adoption of new norms, you can provide your team members with coaching, feedback, and additional time to complete tasks that require the use of new skills. Management approaches such as these will encourage team members to experiment with new skills until they become proficient.

Group learning projects provide another valuable technique for accelerating team members' development of new behaviors. A group learning project is an on-the-job activity aimed at providing team members with direct experience implementing their new knowledge and skills. Through a learning project, team members discover how new concepts work in the context of their situation, while simultaneously having a direct and tangible impact on the organization.

The documents below provide steps, tips, and a template for initiating a group learning project with your team, along with two project recommendations for this topic.

Download resources:

[Tips for Initiating and Supporting a Learning Project](#)
[Learning Project Plan Template](#)
[Learning Project: Develop a New Offering for Your Internal Customers](#)
[Learning Project: Conduct Market Research](#)

Rethinking Marketing

Roland T. Rust, Christine Moorman, and Gaurav Bhalla. "Rethinking Marketing." *Harvard Business Review*, January 2010.

[Download file](#)

Summary

Companies have never before had such powerful technologies for understanding and interacting with customers. Yet too many firms operate as if they're stuck in the 1960s, an era of mass marketing, mass media, and impersonal transactions. To compete in an aggressively interactive environment, companies must shift their focus from driving transactions to maximizing customer lifetime value. That means products and brands must be made subservient to customer relationships. And that means transforming the marketing department—traditionally focused on current sales—into a "customer department" by: replacing the CMO with a chief customer officer, cultivating customers rather than pushing products, adopting new performance metrics, and bringing under the marketing umbrella all customer-focused departments, including R&D and customer service. As the new year dawns—and as businesses crawl out from under the weight of the global recession—our focus is on reinvention. This HBR Spotlight examines that theme from various perspectives: how to manage corporate transformation, what we understand about personal resilience, whether the United States can reclaim its leadership role in innovation and invention, and how executives in strategy and marketing are reconceiving the work they do.

Don't Be Undersold!

Jan-Benedict E.M. Steenkamp and Nirmalya Kumar. "Don't Be Undersold!" *Harvard Business Review*, December 2009.

[Download file](#)

Summary

"Aldi" is a word that strikes fear in the hearts of brand managers across Europe. A chain of low-budget retail stores with sales of \$73.5 billion in 2008, Aldi invented what is commonly referred to as the hard-discount store, a format that is destroying between a quarter and a half trillion dollars in brand sales annually. Brand executives at major consumer packaged goods companies have mostly been caught off guard by this success. The authors' research identified four key misconceptions that explain why: (1) Hard discounters can succeed only in Europe; (2) they attract only the poor; (3) they offer inferior quality; (4) their success is a recessionary phenomenon. Aldi, Lidl, and other hard discounters keep costs low in part by restricting as much as 90% of their stock to their own private labels. But, as they are beginning to realize, that practice can gain only so much market share. A judicious mix of store labels and manufacturers' brands will win new customers for both. And brand manufacturers that fear sales cannibalization can take several proactive steps: sell unfamiliar sizes at the discounters, offer

brands with a small market share, carefully manage the price gap, make shipping boxes attractive, and keep their brands dynamic.

Authenticity: Is It Real or Is It Marketing?

David Weinberger, Bruce Weindruch, Gillian Arnold, James H. Gilmore, B. Joseph Pine II, and Glenn Brackett. "Authenticity: Is It Real or Is It Marketing?" *Harvard Business Review*, March 2008.

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Summary

Marty Echt, the new head of marketing at Hunsk Engines, is determined to bring the motorcycle maker back to its roots. He says it's not enough to project authenticity to customers—employees must personally subscribe to the brand's values. Should the company's CEO support Marty's "real deal" vision? Five experts comment on this fictional case study. Bruce Weindruch, the founder and CEO of the History Factory, says that an authenticity-based campaign can be effective—but only if it's truly drawn from history. Marketers like Marty often remember their organization's past in a golden haze. Weindruch recommends exploring old engineering drawings, ads, and product photos in order to understand what customers and employees really valued back in the day. Gillian Arnold, a consultant to luxury fashion and fine jewelry brands, thinks Marty's approach is right: People in key marketing posts must be passionate about their products and know them inside and out. She argues that the CEO needs to commit more fully to the new campaign and address the significant gap between the staff and the brand. James H. Gilmore and B. Joseph Pine II, the cofounders of Strategic Horizons, point out that Hunsk needs to manage customers' perceptions rather than trying to be a "real company" or forming a management team whose personal interests match the brand. People purchase a product if it conforms to their self-image; that alone determines the brand's authenticity. Glenn Brackett of Sweetgrass Rods, a maker of bamboo fly-fishing rods, says Marty seems to be one of the few people who understand Hunsk motorcycles. If employees bring blood, sweat, heart, and soul to a product, it will manifest that spirit, and customers will line up for it.